

# PLANNED CHANGE IN A FINANCIAL ORGANISATION : A CASE STUDY

by

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## Index

ACKNOWLEDGEMENTS	i
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ABSTRACT	ii
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### CHAPTER 1 – INTRODUCTION TO THE RESEARCH PROBLEM

1.1	INTRODUCTION	1
1.2	BACKGROUND TO THE RESEARCH	1
1.2.1	Strategy & Key Performance Drivers	3
1.2.2	The Balanced Scorecard as measurement tool	4
1.3	THE RESEARCH PROBLEM	4
1.4	THE SUB PROBLEMS	6
1.4.1	Sub Problem 1	6
1.4.2	Sub Problem 2	7
1.4.3	Sub Problem 3	8
1.5	RESEARCH OBJECTIVES	9
1.6	RESEARCH METHODOLOGY	9
1.6.1	Research Design	10
1.6.2	Population	10
1.6.3	Sample	11
1.6.4	Data Collection	11
1.6.5	Trustworthiness of the Research	12
1.7	ASSUMPTIONS	12
1.8	IMPORTANCE OF THE STUDY	13
1.9	CHAPTER OUTLINE	13

### CHAPTER 2 – AN OVERVIEW OF PLANNED ORGANISATIONAL CHANGE AND THE BALANCED SCORECARD.

2.1	INTRODUCTION	15
2.2	THE PROBLEM OF CHANGE	15
2.3	THE DIMENSIONS OF CHANGE	16

2.4	PLANNED CHANGE APPROACHES	18
2.5	KOTTER'S PLANNED CHANGE APPROACH	21
2.5.1	The most common errors made during change	21
2.5.2	The eight stage change process	27
2.6	THE ROLE OF LEADERSHIP IN THE CHANGE PROCESS	37
2.7	THE BALANCED SCORECARD DEFINED	40
2.8	THE DESIGN OF THE BALANCED SCORECARD	42
2.9	THE PERSPECTIVES OF THE BALANCED SCORECARD	44
2.9.1	Financial perspective	44
2.9.2	Customer perspective	45
2.9.3	Internal process perspective	46
2.9.4	Learning and Growth perspective	46
2.10	CREATING A STRATEGY FOCUSED ORGANISATION	47
2.11	SUMMARY	50

## CHAPTER 3 – THE BALANCED SCORECARD IN AVAF

3.1	INTRODUCTION	51
3.2	THE INTEGRATION OF BANKFIN INTO ABSA	51
3.3	THE USE OF THE BALANCED SCORECARD IN AVAF	52
3.4	IMPLEMENTATION OF THE BALANCED SCORECARD IN AVAF	53
3.5	SUMMARY	55

## CHAPTER 4 – THE RESEARCH METHODOLOGY OF THE STUDY

4.1	INTRODUCTION	56
4.2	RESEARCH METHODOLOGY	56
4.3	RESEARCH DESIGN	57
4.4	POPULATION AND SAMPLE	57
4.4.1	Sampling type	58
4.4.2	Sampling size	58
4.5	DATA COLLECTION	58
4.6	TRUSTWORTHINESS OF THE RESEARCH	59
4.7	ETHICAL ASPECTS	60

4.8	ASSUMPTIONS	60
4.9	IMPORTANCE OF THE STUDY	61
4.10	SUMMARY	61

## CHAPTER 5 – RESEARCH FINDINGS AND ANALYSIS

5.1	INTRODUCTION	63
5.2	THE RESEARCH	63
5.3	FINDINGS ON COMMUNICATING THE VISION	64
5.4	ANALYSIS OF FINDINGS ON COMMUNICATING THE VISION	67
5.5	FINDINGS ON THE EMPOWERMENT OF EMPLOYEES	69
5.6	ANALYSIS ON THE EMPOWERMENT OF EMPLOYEES	71
5.7	FINDINGS ON GENERATING SHORT TERM WINS	73
5.8	ANALYSIS ON GENERATING SHORT TERM WINS	76
5.9	SUMMARY OF FINDINGS FOR THE TOTAL PROCESS	78
5.10	CONCLUSION	79

## CHAPTER 6 – RECOMMENDATIONS AND CONCLUSIONS

6.1	INTRODUCTION	80
6.2	RECOMMENDATIONS	80
6.3	IMPORTANCE OF THE STUDY	84
6.4	AREAS FOR FURTHER RESEARCH	84
6.5	CONCLUSION	85

REFERENCE LIST	86
----------------	----

INDEX OF TABLES	89
-----------------	----

INDEX OF FIGURES	90
------------------	----

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## Abstract

The aim of this research is to determine if the steps pertaining to the implementation phase of Kotter's (1996) model were correctly followed. The AVAF Commercial sales front end implemented the Balanced Scorecard methodology two years ago. This was to bring the business unit in line with the rest of the ABSA group. Management needed to know if the introduction of the balanced scorecard was successful or not. It was decided that the model for a planned change process as proposed by Kotter (1996) would be used to evaluate the introduction of the balanced scorecard in AVAF. Management do not know what the perceptions of staff are regarding the successful *planning, implementation and evaluation of the BSC*. The study only focused on the implementation part of the model as this part of the model affected employees at grass roots level the most. The three steps of Kotter's (1996) model pertaining to the implementation of change are, Communicating the Vision, Empowering Employees and Creating Short-term Wins.

A thorough literature study of the eight step model as proposed by Kotter (1996), as well as the views of other authors on planned change was undertaken. The study revealed that all planned change programmes has the same three broad phases. These are Planning, Implementation and the anchoring of the completed change in the culture. The role of leadership are emphasised during this process. The balanced scorecard methodology was explored and placed in context as a change programme.

The research was conducted by using a qualitative approach. The benefit of a qualitative research, applied to an actual case study, is that an intense understanding of the theory can be gained and the findings used to benefit a case-specific application such as the AVAF commercial sales front end. Data collection in this study was done by means of a focused interview consisting of questions on an interval scale.

The results of the research highlighted some concerns that needed to be addressed by management. Recommendations were made to management on a possible plan of action to address these concerns.

The research has indicated that communication during the change process is a vital factor in determining the success of the change effort. Communication of the vision is not a once off action. It is a continues effort that impacts on all aspects of the planned change model as proposed by Kotter (1996). The study contributed to the body of knowledge in the organization as it shows how future change programs can be improved

## Chapter 1

### Introduction to the research problem

#### 1.1 Introduction

In this chapter the context of the research problem will be outlined. This includes a brief background of the organisation within which the research problem is being conducted. Then the research problem itself will be described, as well as the most important issues relating to the problem. Leading from this the aim and objectives of the process will be sketched.

Change management and performance management are broad topics that could be applicable to an entire organisation, just one individual or somewhere in between. It is thus important that the scope of the research be defined in terms of the application, duration, area within the organisation and the literature applied.

A number of key assumptions have been made and are important from the point of view of adding credibility and substance to the outcomes and recommendations. Finally the importance of the study to the organisation will be discussed.

#### 1.2 Background to the research.

During the past decade a rapid increase in global competition brought about by technological change and product variety proliferation has accentuated the role of continuous performance improvement as a strategic and competitive requirement in many organisations worldwide. According to Wongrassamee *et al* (2003:14) in order for organisations to maintain and improve their competitive advantages, performance measures are widely used to evaluate, control and improve business processes. In a study cited by Norton and Kaplan (2001:1), 275 managers reported that the ability to execute strategy was more important than the quality of the strategy itself. One reason for this is that strategies are changing too rapidly to keep up with the technology, but the tools for measuring strategy have not kept pace (Norton and Kaplan 2001:2).



South African companies also need to be competitive in the local as well as the global market. Continuous performance improvement is required not only to satisfy the shareholders of the company but also to contribute to the global market. Wongrassamee et al (2003:14) states that various studies have indicated that traditional performance measures, based on management accounting systems, are inappropriate. They have cited various limitations of the traditional performance measures that include:

- They are based on traditional cost management systems
- They use lagging metrics
- They are not incorporated in strategy
- They are difficult to implement in practice
- They tend to be inflexible and fragmented
- They contradict accepted continuous improvement thinking and
- They neglect customer requirements

The Balanced Scorecard model was developed by Norton & Kaplan to measure more than just financial measures. The Balanced Scorecard approach retained measures of financial performance but supplemented them with measures on the drivers of future success (Norton and Kaplan 2001:3). The purpose of the balanced scorecard is to help communicate and implement the strategy of the organisation. The Balanced Scorecard measurement model identifies the critical success factors for business systems, and develops performance measures within the four perspectives of Finance, Customer, Process and Learning and Growth. Some indicators are maintained to measure the progress made by an organisation towards achieving its vision, other indicators are maintained to measure the long-term drivers of success.

Due to the involvement of the ABSA Group, a financial services organisation in South Africa, in various countries in Africa as well as Asia and Europe, benchmarking the performance of the group against global role players became important. Management realised that financial measures alone would not be adequate to measure the performance of the group. The Balanced Scorecard is an important measuring tool in the ABSA Group. It gives a rounded picture of ABSA's performance by looking at more than just financial measures. It is a performance management

system designed to help Absa clarify its vision and strategy and translate them into action.

Absa Vehicle and Asset Finance previously known as Bankfin, has adopted a new operating model to align itself with the operating model of the Absa Group and was integrated into the ABSA brand under a new name, ABSA Vehicle and Asset Finance (hereafter refer to as AVAF). The Internal newspaper of the group listed the reasons for the integration as follows (Abacus: June 2003:8-9): 1) to ensure continuous business improvement in the AVAF value proposition 2) to increase customer service delivery by having a more focused strategy in each of the market segments 3) to align with the ABSA operating model 4) to protect the AVAF stronghold as asset-based finance leader and 5) to be able to leverage of the ABSA competencies that exists in the broader group. Management decided to implement the Balanced Scorecard to ensure organisational effectiveness during the integration.

#### 1.2.1 Strategy and Key performance drivers

Balanced Scorecards for AVAF began with the translation of strategy and vision into a driver tree hierarchy that was then converted to measures. From here critical success factors were defined and targets were set, so that areas key to the implementation of the strategy could be measured and managed. The underlying principal was that innovation and performance management in AVAF, together with effective business processes, will produce customer satisfaction through quality products and service (Abacus: September 2004:6).

#### 1.2.2 The Balanced Scorecard as measurement tool.

The AVAF Commercial Sales front end is seen as the portal to the business unit's clients. Any performance management methodologies will significantly impact on the performance of employees. The question could be asked, "What value could be expected from implementing the Balanced Scorecard in the AVAF Commercial sales environment?" According to an article in the September edition of Abacus (2004:6), the internal newspaper of the group, the Balanced Scorecard should:

- Help align key performance measures with strategy at all levels of the organisation.
- Provide management with a comprehensive picture of business operations.
- Facilitate communication and an understanding of business strategy at all levels of the organisation.
- Provide strategic feedback and learning.

The basic philosophy of the balanced scorecard program is that people will focus on what is being measured. If AVAF Commercial sales know what its impact is in determining shareholder value, it has a foundation to work from. Given the fact that the Absa Group differentiates itself through their customer centric approach, it is imperative for managers to understand the dynamics and shortcomings of the existing Balanced Scorecards in use because, in the end, what you measure is what you get. The eight-step model of implementing change as developed by Kotter (1996) can be used to evaluate the effective implementation of the Balanced Scorecard methodology at the different stages of implementation.

### 1.3 The research problem

Every organisation, regardless of type, needs a clear and cohesive performance management framework during a change process that is understood by all levels of the organisation, even at grassroots level, and that supports the objectives and the collection of results. This is especially true for first line managers. Through the Balanced Scorecard, an organisation can monitor both its current performance (finance, customer satisfaction and business results) and its efforts to improve processes, motivate and educate employees, and enhance information systems, thus its ability to learn and improve (De Necker, 2003:5). A successful Balanced Scorecard program starts with the recognition that it is a change process (Norton & Kaplan (2001:16)).

The balanced scorecard was implemented two years ago and management does not know whether it was successful or not. Management do not know what the perceptions of staff are regarding the successful *planning, implementation and evaluation of the BSC*. Therefore Kotters model will be used to investigate

perceptions of grassroots employees in terms of the implementation part of the model.

The eight step model, proposed by Kotter (1996), could be broadly categorised into three areas that are fundamental to a successful change management program. The first three relate to the planning of the process. The next three relate to the implementation of the process and the last two steps relate to evaluating and sustaining the changes brought about by the first two phases. This association is illustrated in table 1.1 below.

The three phases provides the basis for the evaluation of the balanced scorecard as an evaluation tool in the different phases. These can be described as three unique sub problems. The first is whether the strategic steps relating to the planning phase were correctly applied. Secondly, whether the strategic steps relating to the implementation phase were correctly applied. Thirdly, whether the strategic steps relating to the evaluation and sustaining phase were correctly applied.

Table 1.1 : The links between the eight step process of creating change and the three areas of planning, implementation and sustaining. (Source: Kotter JP (1996): Leading Change, USA: Harvard Business School Press).

<b>Linking the eight step model to three important phases of change</b>	
<b>The Eight Steps</b>	<b>The Three Phases</b>
1 Establishing a sense of urgency	<b>Planning</b>
2 Creating the guiding coalition	
3 Developing a vision & strategy	
4 Communicating the change vision	<b>Implementation</b>
5 Empowering broad based action	
6 Generating short term wins	
7 Consolidating gains & producing more change	<b>Evaluating &amp; Sustaining</b>
8 Anchoring new approaches in the new culture	

#### 1.4 The Sub-Problems

This section deals with the sub-problems in more detail

#### 1.4.1 Sub Problem 1: Were the steps relating to planning correctly applied?

According to Kotter's (1996) model, transformational change starts at the top with three discrete actions by leaders. The first three steps in the Kotter (1996) model relate to this planning stage. Briefly these three steps are as follows:

- 1 Establishing a sense of urgency
- 2 Create the guiding coalition
- 3 Develop a vision and strategy

According to Kotter (1996:36), increasing urgency demands that one removes sources of complacency or minimise their impact, for example, setting higher standards, both formally and informally, in day to day interaction. To achieve this, a strong guiding coalition is needed. This coalition should have the right composition, level of trust and shared objectives. The coalition must plan the vision and the strategies to achieve that vision. Vision refers to a picture of the future with some implicit or explicit commentary on why people should strive to create that future. Good planning motivates people to take action in the right direction and helps coordinate the actions of different people in an efficient manner. According to Kreitner and Kinicki (2001:664) the focus in this stage is to create the motivation for the change process. By doing this individuals are encouraged to replace old behaviours and attitudes with new behaviours and attitudes as required by management.

This section of the change model will not be evaluated as this process was planned and designed by the guiding coalition and not the first line management who were responsible for the introduction of this program. The perspectives of the guiding coalition may differ from that of the employees at grass roots level. This study will focus on the perceptions of the affected employees at grass roots level.

#### 1.4.2 Sub Problem 2: Were the implementation steps correctly applied?

Once the change process has been launched, management should establish a governance process to guide the transition. Breaking with traditional power-based structures is important. This process defines, demonstrates and enforces new

cultural values on the organisation (Norton and Kaplan 2001:16). Leading on from this, successful change will only occur with the correct implementation of the vision and strategies set up during the planning phase. The second set of three steps in the Kotter (1996) model relates to this implementation phase. This implies that management should:

- 4 Communicating the change vision
- 5 Empower broad based action
- 6 Generate short-term wins

A great vision can serve a useful purpose even if it is understood by just a few key people. But the real power of a vision is unleashed only when most of those involved in an enterprise have a common understanding of its global direction. That shared sense of a desirable future can help motivate and coordinate the kinds of actions that create transformation (Kotter 1996:85). Becoming empowered refers to the individual gaining confidence, feeling that they have something to offer, knowing how to put across ideas, how to take responsibility and to become active and involved. Empowered individuals normally achieve small successes at an early stage. These successes must be recognised and rewarded to build on the momentum generated (Kotter 1996:114).

It is suggested that first line management did not communicate the process adequately to the employees at grassroots level and that employees were therefore not empowered to act on the vision resulting in insufficient short term wins being generated.

1.4.3 Sub Problem 3: Were the steps relating to the sustaining and evaluation of the process correctly applied?

According to Kotter (1996:14) successful change can be stalled if victory is declared too soon. It can also fall short if new ways are not embedded in the way things are regularly done. The right measurement systems are imperative in guiding these two issues. According to Kaplan & Norton (2001:14) measurement matters "If you can't measure it you can't manage it". An organisation's measurement system strongly affects the behaviour of people both inside and outside of the organisation. If

companies are to survive and prosper in the information age competition, they must use measurement and management systems derived from their strategies and capabilities. Unfortunately many organisations impose strategies about customer relationships, core competencies and organisational capabilities while motivating and measuring performance only with financial measures. The final two steps of the Kotter (1996) model, if applied correctly, ensure sustainable and enduring change. The final two steps are:

- 7 Consolidating gains and producing more change
- 8 Anchoring new approaches in the culture

This section of the change model will not be evaluated as this process was the responsibility of the guiding coalition and not the first line management who were responsible for the introduction of this program. The perspectives of the guiding coalition may differ from that of the employees at grass roots level. This study will focus on the perceptions of the affected employees at grass roots level.

### 1.5 Research objectives

The purpose of the study is to explore the key areas underlying the successful planning, implementation and evaluation of the Balanced Scorecard as a change process at grass roots level in a strategy focused organisation such as ABSA. These areas will then be used to guide the study in identifying and describing specific challenges that could possibly contribute to the unsuccessful implementation of the Balanced Scorecard within the AVAF Commercial sales environment.

The primary objectives of the study are as follows:

- To do a literature research on the concept of the Balanced Scorecard as a measurement tool for the implementation of a change process and a literature review on the implementation of organisational change.
- To investigate if the implementation steps put forward was properly followed.
- To make recommendations to the organisation that will set the context for the successful introduction of the balanced scorecard by first line managers in the sales front end.

It should once again be noted that the study will only focus on the implementation phases as described by Kotter (1996) as this has affected employees at grass roots level.

## 1.6 Research methodology

This study will be qualitative in nature. According to Leedy (2005:94) qualitative research is typically used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants' point of view. The benefit of a qualitative research, applied to an actual case study, is that an intense understanding of the theory can be gained and the findings used to benefit a case-specific application such as the AVAF commercial sales front end. The research will take place at the AVAF commercial sales front end and is case specific to the AVAF commercial sales front end only.

### 1.6.1 Research Design

There are several reasons to use qualitative research. Malhotra (1999:148) states that it is not always possible or desirable to use fully structured or formal methods to obtain information from respondents. People may be unwilling or unable to answer certain questions. Sometimes people are unwilling to give truthful answers to questions that invade their privacy, embarrass them or have a negative impact on their ego or status.

The exploratory descriptive research method will be used for this study. According to De Vos (2002:109) exploratory research is conducted to gain insight into a situation and descriptive research presents a picture of the specific details of that situation. This research will be used to elicit the views of employees in the AVAF Commercial sales front end. This will clarify certain perceptions and increase the understanding of the research problem.



### 1.6.2 Population

The population or universe is described by Zikmund (2000: 339) as any complete group of people, companies, stores, students and the like that share some set of characteristics. The distinction between a population and a universe is made on the bases of whether the group is finite (population) or infinite (universe). The population is the AVAF Commercial sales front end and consists of 41 business development officers, 25 business analysts and 23 client liaison officers. The population size is therefore 89 employees in total. All of these individuals report directly to one of the 6 regional managers in their area. The regional managers are the first line of management in the AVAF structure. These individuals are stationed throughout South Africa.

### 1.6.3 Sample

For the purpose of this study a purposive, non-probability sample type will be used. The purpose of sampling is to enable researchers to estimate some unknown characteristic of a population and to make conclusions regarding the whole population. Zikmund (2000:338) describes a sample as a part of a larger population. Probability sampling is a technique in which every member of the population will have a known probability of selection Zikmund (2000:350). Non-probability sampling refers to a technique in which units of the sample are selected on the basis of personal judgement or convenience Zikmund (2000:350). Purposive sampling is based entirely on the judgement of the researcher in that a sample is composed of elements that contain the most characteristic, representative or typical attitudes of the population De Vos (2002:207). Based on the tables in De Vos (2002:201) with a population size of 89 a sample size of 45 would be required.

### 1.6.4 Data Collection

According to Leedy (2005:144) the methods of collecting data in a case study such as this are observations, interviews and appropriate written documents and/or audiovisual material. Data collection in this study will be done by means of a focused interview consisting of questions on an interval scale. An interval scale of

measurement is characterised by two features 1) it has equal units of measurement and 2) the zero point has been established arbitrarily Leedy (2005:26). The focused interview will consist of structured questions that will cover facts, opinions and attitudes. Zikmund (2000:177) describes a structured question as a question that imposes a limit on the number of allowable responses to that question. The questions in this study will be focusing on the implementation phase of the change model and will limit the respondent to a specific range of responses so that the respondent cannot stray beyond the questions.

The data will be analysed to determine the frequency distribution of the data for each question. The collected data will be analysed by making use of available computer software like SPSS Data Entry and SPSS/PC+ to present the data in various statistical formats by making use of the services offered by the University of Johannesburg. Interpretation of the data will then be undertaken with a view to eventually reach meaningful conclusions (De Vos (2002:223)). Further face to face interviews will be conducted with about five to eight respondents after the analysis in order to get a more in depth understanding of the main perceptions and problem areas.

#### 1.6.5 Trustworthiness of the Research

De Vos (2002:337) states that the pilot study in qualitative research allows the researcher to focus on specific questions. By testing the nature of the questions in the pilot study allows for modifications to be made with the view to quality interviewing during the main investigation. A pilot study will be conducted with five respondents to determine if the relevant data can be obtained from the respondents and to test if all respondents will understand the questions in the same way.

#### 1.7 Assumptions

The main purpose of the study is the evaluation of the introduction of the Balanced Scorecard as a change process within AVAF Commercial sales front end. A few logical assumptions have been made and carefully considered so that they do not influence the credibility of the research proposal. It was assumed that:

- The study will not include the other business units within the ABSA Group.

- The study will only focus on employees in the sales front end. These employees include Business Analysts, Business Development Officers and Client Liaison Officers. Employees not directly involved with the external clients of commercial sales are therefore excluded from the study.
- All interviews were conducted in a fair, unbiased manner and that all relevant questions were understood and answered in such a way as to truly reflect the attitudes and opinions of all the respondents.
- The respondents had sufficient information about the implementation of the balanced scorecard to provide meaningful responses.
- The literature used in the study is precise and reflects true representation of the evaluation philosophy, but is not exhaustive.
- The sub-problems are meaningful in relation to this specific implementation, but are not necessarily exhaustive.

## 1.8 Importance of the study

The management of AVAF need to be sure that the implementation of the balanced scorecard had been successful. If not, corrective actions need to be taken to ensure that all employees are aligned with the vision of AVAF within the ABSA group. This study will expose any shortcomings during the change process and will enable management to take corrective actions based on the recommendations of the study. This will add to the body of knowledge inherent, and documented, within the company. By presenting to management and staff different views and ways to approach problems and instilling an understanding of the importance of change management, the group knowledge will increase.

## 1.9 Chapter outline

Chapter 2 deals with the literature overview. In chapter 2 Kotter's model for organisational change is described as well as the perceptions of other authors on the change process. This is followed by a description of the balanced scorecard as a process of performance management during a change process. In chapter 3 the background to the integration of Bankfin into ABSA is sketched. This is followed by a closer look at the use of the balanced scorecard in AVAF followed by an overview on

the implementation of the balanced scorecard. Chapter 4 describes the research methodology used. This chapter discusses in detail the research design selected, the population and the sampling frame used, the data collection and analysis techniques applied as well as the validity and reliability of the results. Chapter 5 discusses the findings and analysis of the research. This chapter also includes the processing, analysis and interpretation of the data in figures and tables used to represent the findings of the study. Chapter 6 provides recommendations and conclusions to management.

## Chapter 2

### An overview of planned organisational change and the Balanced Scorecard

#### 2.1 Introduction

In this chapter the views of various authors with regard to planned change processes will be discussed. There after the most common mistakes made by managers and organisations during the change process and the consequences thereof will be discussed. The eight stage change process as described by Kotter (1996) will be investigated. The various definitions and interpretations of the balanced scorecard will be explored. The various definitions and interpretations of the balanced scorecard will be explored. The four perspectives of the balanced scorecard as well as the basic design of the balanced scorecard for strategy focused organisations will be discussed briefly. This will be followed by a study of the five principals for creating a strategy focused organisation.

#### 2.2 The problem of change.

Senge (1990) states that change is the only constant variable in business today but Kets de Vries (2001:177) states that change is not a simple process, neither is it a comfortable one. In a study of more than one hundred top management-driven corporate transformation efforts, Kotter (1996) concluded that more than half did not survived the initial first change phase. Strebel (1998:86) states that practitioners of radical re-engineering report success rates of fortune 1000 companies well below fifty percent. Wheatley and Kellner-Rodgers (1996:3) refer to surveys where CEO's report that up to seventy five percent of their organisational change efforts do not yield the promised results. According to Wheatley and Kellner-Rodgers (1996:5) these change efforts fail to produce the desired results but almost always produce a stream of unwanted effects rather than the planned results that did not materialise.

The reasons for this pattern of change failure vary. The problem of initiating change is especially salient because of the common observation that people resist change, even when the goals are apparently highly desirable. Kets de Vries (2001: 178) states that the dilemma is not to get people to accept new ideas, but to get them to

forget old ones. Most organisational change efforts fail according to Wheatley and Kellner-Rodgers (1996:6) because these change initiatives don't begin with a commitment to creating a coherent sense of identity. The most common excuses leaders give for these change failures are summarised by Wheatley and Kellner-Rodgers (1996:7) as:

- People resist change
- The organisation lacks the right people to move it in to the future
- People no longer assume responsibility for their work
- People are too dependent
- All that people do is whine.

Wheatley and Kellner-Rodgers (1996:6) strongly believe that failures at organisational change are the result of some deep misunderstanding of who people are and what is going on inside organisations. Kets de Vries (2001:178) states that because of the fact that "old ideas die hard" it is essential that change processes incorporate both cognitive and emotional elements. This will ensure that people are affected in both the intellect and the heart. People need to intellectually understand the advantages that the change will bring and should feel emotionally ready to move to a new state.

### 2.3 The dimensions of change management

Change comes in different forms, depending on the dimensions associated with the change effort. The dimensions as listed by Luecke (2003), Price (2004) and Beer and Nohria (2000) are described to illustrate this variety.

Change programs in organisations can be classified into one of the following categories according to Luecke (2003:89):

- Structural changes by re-configuring the parts of the organisation to achieve greater overall performance. Examples are re-organisation, mergers, acquisitions and outsourcing.
- Cost-cutting changes for improving the output efficiency of the organisation.
- Process changes by altering the "how" of things being done in the business through re-engineering of business processes.

- Cultural changes for refocusing the organisations approach to a specific or general business aspect. Examples are a change from command-and-control management to participative management or from internally focused to customer focused management.

Price (2004:94) identify three levels of change, each with a different level of complexity associated with it:

- Straightforward or direct level change: Here companies act directly to achieve outcomes without having to change the way people work (e.g. divesting non-core assets to focus on the core business).
- Intermediate level of change complexity: in this case employees may need to adjust their practices or adapt a new one, but they do this within current mental models to achieve the desired target (e.g. an innovative company partnering with external resources to increase the flow of ideas into the organisation to enhance the steam of new products to the market).
- Deepest level of complexity – Cultural change. This implies that the only way the business can reach the desired goals is to change the way its people behave across the board. To achieve this requires a mindset change from all employees (e.g. reactive to proactive, hierarchical to collaborative or bureaucratic to flexible).

Luecke (2003:91) states that there are generally two types of change:

- Discontinuous change representing a single, abrupt shift from the past followed by periods of relative stability. Over time another major discontinuous change is introduced.
- Continuous incremental change that is characterised by a series of small, discrete changes over a long period of time.

Beer and Nohria (2000:130) state that the primary goal of the change, determines the approached that should be followed. They have identified the following approaches to change based on the desired goal:

- An economic approach to change which they call Theory E. The explicit goal of Theory E change is to rapidly increase shareholder value. The focus is

more short term and the measures are financially orientated (e.g. cash flow, profit, share price).

- An organisational capability approach to change which they call Theory O. The goal of Theory O change is to develop an organisational culture that cultivates individual and organisational learning to continuously improve business performance. This is achieved through high levels employee involvement, flatter organisational structures and a people centric approach driving financial success from a multi year view point.

They state that successful companies uses a mix of the above two approaches to achieve change implementation (Beer and Nohria, 2000:134).

## 2.4 Planned change approaches

Another way to reflect change processes is to view it from a process perspective. This is a systematic, well planed and orderly process to execute mainly predetermined activities. This is a logical, rational approach to change where the focus is on the achievement of set targets, primarily through the sequential execution of parts in a whole. All these theories of planned change emphasise the need for:

- Establishing readiness for change. This includes aspects related to people, technology, cultural and structural readiness.
- Diagnosing the problem or situation for which change is required. This also includes soliciting input to the change process from those who will be affected by it.
- Planning and implementing the change process. This includes the assignment of responsibilities, the setting of goals, measurements and time frames.
- Evaluating the effort. Here it involves the creation of feedback about the affects of change in guiding decision making on whether changes should be continued, modified or suspended. It also includes the evaluation of progress against key change goals.

According to Kreitner and Kinicki (2001:664) most theories of organisational change originated from the landmark work of social psychologist Kurt Lewin. Lewin developed a three stage model of planned change which explained how to initiate,



manage and stabilise the change process. The three stages are unfreezing, changing and refreezing. Before reviewing each stage it is important to highlight the assumptions that underline this model as described in Kreitner and Kinicki (2001:664):

- The change process involves learning something new, as well as discontinuing current attitudes, behaviours and organisational practices.
- Change will not occur unless there is motivation to change. This is often the most difficult part of the change process.
- People are the hub of all organisational changes. Any change, whether in terms of structure, group process, reward system or job design, requires individuals to change.
- Resistance to change is found even when the goals of change are highly desirable.
- Effective change requires reinforcing new behaviours, attitudes and organisational practices.

The three stages of Lewin's model as described by Kreitner and Kinicki (2001:664) are:

- Unfreezing – The focus in this stage is to create the motivation to change. In so doing individuals are encouraged to replace old behaviours and attitudes with those desired by management. Benchmarking is a technique that can be used to help unfreeze the organisation. Benchmarking describes the process by which a company compares its performance with that of other companies and then learns how the strongest performing companies achieve their results. The result of benchmarking can therefore be used to unfreeze the attitudes of employees and motivate people to change the organisation's internal processes in order to remain competitive. Managers also have to find ways to reduce the barriers to change during this stage.
- Changing – Because change involves learning, this stage entails providing employees with new information, new behavioural models or new ways of looking at things. The purpose is to help employees learn new concepts or points of view. Role models, mentors, experts, benchmarking results and training are useful mechanisms to facilitate change. It is best to convey the

idea that change is a continuous learning process rather than a one time event.

- Refreezing – Change is stabilised during freezing by helping employees to integrate the changed behaviour or attitude into their normal way of doing things. This is accomplished by first giving employees the change to exhibit the new behaviours or attitudes. Once exhibited positive reinforcement is used to reinforce the desired change.

Kotter (1996) has identified eight common mistakes made by managers in the past when dealing with change. Based on these mistakes he has developed his eight stage change process. In the next section the planned change approach as developed by Kotter will be discussed in detail.

## 2.5 Kotter's planned change approach

### 2.5.1 The most common errors made during change.

By any objective measure the amount of significant, often traumatic change in organisations has grown tremendously over the past two decades. Powerful macro economic forces are at work and these forces may even grow stronger over the next few decades. As a result more and more organisations will be pushed to reduce cost, improve the quality of products and services, locate new opportunities for growth and increase productivity. To date major change efforts have helped organisations adapt significantly to shifting conditions, improving their competitive standing and have positioned a few for a better future. In too many instances the improvements have been disappointing with wasted resources and burned-out, scared and frustrated employees (Kotter 1996:3). To some degree the down side to change is inevitable. Whenever human communities are forced to adjust to shifting conditions pain is ever present but according to Kotter (1996:4) a significant amount of the waste and anguish is avoidable. Kotter (1996) has identified the following common mistakes made in the past:

## Error 1 : Allowing too much complacency

By far the biggest mistake that people make when trying to change organisations is to plunge ahead without establishing a high enough sense of urgency in fellow managers and employees. This error is fatal because transformations always fail to achieve their objectives when complacency levels are high. Without a sense of urgency, people won't give that extra effort that is often essential and they won't make the needed sacrifices, instead they cling to the status quo and resist initiatives from above (Kotter 1996:4).

According to Luecke (2003:124) the involvement of employees in the joint identification of root causes of business problems and the co-development of appropriate solutions are required to reduce the complacency within an organisation. Involvement creates the energy and commitment necessary for the change process. This first stage is essential because just getting a transformation program started requires the aggressive co-operation of many individuals. Without motivation, people won't help and the effort goes nowhere (Kotter 1999:76).

## Error 2 : Failing to create a powerful enough guiding coalition.

Major renewal programs often start with just one or two people but individuals alone, no matter how competent or charismatic, never have all the assets needed to overcome tradition and inertia except in very small organisations. Efforts that lack a sufficiently powerful guiding coalition can make apparent progress for a while but sooner or later countervailing forces undermine the initiatives. In successful transformations the divisional head, department head and another five, fifteen, or fifty people with a commitment to improve performance pull together as a team. This coalition should be powerful in terms of formal titles, information and expertise, reputations and relationships, and the capacity for leadership (Kotter 1999:79).

Luecke (2003:127) supports this by stating that support for the change process must come from a coalition of key employees that should include the CEO. Change leaders can raise concerns about a current dilemma and urge management to take

proactive action. Change leaders therefore need not be managers, employees should also act as a change leader in their respective environments.

Failure here is usually associated with underestimating the difficulties in producing change and thus the importance of a strong guiding coalition. Guiding coalitions without strong line leadership never seem to achieve the power that is required to overcome what are often massive sources of inertia (Kotter 1996:7).

Error 3 : Underestimating the power of vision.

Urgency and a strong guiding team are necessary but insufficient conditions for major change. Vision plays a key role in producing useful change by helping to direct, align and inspire actions on the part of large numbers of people. Without an appropriate vision a transformation effort can easily dissolve into a list of confusing, incompatible and time consuming projects that go in the wrong direction or nowhere at all. In many failed transformations you find plans and programs trying to play the role of vision. Some times management does have a sense of direction, but it is too complicated or blurry to be useful (Kotter 1996:8).

Error 4 : Under communicating the Vision

According to Kotter (1996:10) and (1999:83) major change is usually impossible unless most employees are willing to help, often to the point of making short term sacrifices. People however will not make sacrifices unless they think the potential benefits of change are attractive and unless they really believe that transformation is possible. Without credible communication the hearts and minds of the employees are never captured.

Three patterns of ineffective communication are common, all driven by the habits developed in more stable times. In the first, a group actually develops a pretty good transformation vision and then proceeds to sell it by holding only a few meetings or sending out a couple of memos. Its members react with astonishment when people don't seem to understand the new approach. In the second pattern, the head of the organisation spends a considerable amount of time making speeches to employee

groups, but most of the senior managers are virtually silent. In the third pattern, much more effort goes into newsletters and speeches, but some highly visible individuals still behave in ways that are not aligned to the vision. The net result is that cynicism among the troops goes up while belief in the new message goes down. Communication comes in both words and deeds. Deeds are generally the most powerful form. Nothing undermines change more than the behaviour of important individuals that is inconsistent with the verbal communications received. Kotter (1999:83) states that this phase is particularly challenging if the short term sacrifices include job losses. For this reason successful visions usually include new growth possibilities and the commitment to treat fairly anyone who is downsized.

Error 5 : Permitting obstacles to block the new vision.

Kotter (1999:85) and (1996:10) states that the implementation of any kind of major change requires the action from a large number of people. New initiatives fail far too often when employees, even though they embrace the new vision, feel disempowered by huge obstacles in their way. Occasionally, the roadblocks are only in the minds of the employees and the challenge is to convince them that no external barriers exist. But in many cases the blockers are real. Sometimes the obstacle is the organisational structure. Narrow job categories can undermine efforts to increase productivity or improve customer service. Compensation or performance appraisal systems make people choose between the new vision and their own self interest. The worst of all according to Kotter (1999:86) is managers who refuse to change and who make demands that are inconsistent with the overall transformation effort. One well placed blocker can stop an entire change effort.

In the first half of a transformation effort no organisation has the momentum, power or time to get rid of all obstacles. The big ones however must be confronted and removed. Action is essential, both to empower others and to maintain credibility of the change effort as a whole.

#### Error 6: Failing to create short-term wins.

Real transformation takes time. According to Kotter (1996:11) and (1999:87) most people won't go on the long march of transformation unless they see compelling evidence that the journey is producing the expected results. Without short term wins, too many employees give up or actively join the resistance.

Creating short term wins is different from hoping for short term wins. The latter is passive and the former active. In a successful transformation, managers actively look for ways to obtain clear performance improvements, establish goals in a yearly planning system, achieve these objectives and reward the people involved with recognition, promotions or money. In change initiatives that fail, systematic effort to guarantee unambiguous wins within six to eighteen months is much less common. Managers either just assume that good things will happen or become so caught up with the grand vision that they don't worry much about the short term.

Kotter (1996:12) states that managers often complain about being forced to produce short term wins, but under the right circumstances that kind of pressure can be a useful element in the change process. When it becomes clear that change efforts will take a long time, urgency levels usually drops. Commitment by management to produce short term wins can help to keep complacency down and encourage the detailed analytical thinking that can usefully clarify or revise the transformational visions.

#### Error 7 : Declaring Victory too soon

Kotter (1996:12) states that while celebrating a win is fine, any suggestion that the job is mostly done is generally a big mistake. Unless changes sink deep into the organisational culture, this process can take up to ten years, new approaches are fragile and subject to regression.

Instead of declaring victory, leaders of successful change efforts use the credibility of the short-term win to tackle even bigger problems. They go after systems and structures that are still not consistent with the transformation vision. They pay

attention to who is promoted, who is hired and how people are developed. They understand that renewal efforts do not take months but years to embed in the organisational culture (Kotter 1999:89).

Error 8 : Not anchoring the changes in the corporate culture.

According to Kotter (1999:90) change only sticks when it becomes “the way we do things around here” and when it seeps into the bloodstream of the corporate body. Kotter (1999:90) goes on to identify two factors that are particularly important in anchoring the change in the corporate culture. The first is a conscious attempt to show employees how the new approaches, behaviours and attitudes have helped to improve performance. The second is to take sufficient time to make sure that the next generation of top management really personifies the new approaches.

The eight errors common to organisational change efforts and their consequences are summarised in the table below.

Table 2.1 : The eight errors common to organisational change efforts and their consequences (Source: Kotter JP (1996): Leading Change, USA: Harvard Business School Press).

### **Common Errors**

1. Allowing to much complacency
2. Failing to create a sufficiently powerful guiding coalition
3. Underestimating the power of vision
4. Under communicating the vision
5. Permitting obstacles to block the new vision
6. Failing to create short term wins
7. Declaring victory too soon
8. Neglecting to anchor the changes firmly in the organisational culture



## Consequences

1. New strategies are not implemented well
2. Acquisitions don't achieve the expected synergies
3. Reengineering takes too long and costs too much
4. Downsizing does not get cost under control
5. Quality programs do not deliver hoped-for results

### 2.5.2 The eight stage change process.

The eight step model, proposed by Kotter (1996), is associated with each of the eight fundamental errors that undermine transformation efforts. According to Kotter (1996:22) the first four steps in the process help to defrost a hardened status quo because change is never easy. Phase's five to seven introduce many new practices and the last stage grounds the changes in the corporate culture and helps to make them stick. Kotter (1996:23) goes on to state that successful change of any magnitude goes through all eight stages. Transformation efforts will have little effect if certain stages are skipped as resistance to the change effort will increase. The steps of transformation as developed by Kotter (1996) will now be discussed in more detail.

<b>Table 2.2 : The Eight-Stage Process of Creating Major Change</b> (Source: Kotter JP (1996): Leading Change, USA: Harvard Business School Press).	
1	Establishing a sense of urgency
2	Creating the guiding coalition
3	Developing a vision & strategy
4	Communicating the change vision
5	Empowering broad based action
6	Generating short term wins
7	Consolidating gains & producing more change
8	Anchoring new approaches in the new culture

### Establishing a sense of Urgency

Establishing a sense of urgency is crucial to gaining the needed cooperation. According to Kotter (1996:36) if complacency is high, transformation usually goes



nowhere, because very few people are interested in working on the change problem. If urgency is low then it becomes difficult to put together a group with enough power and credibility to guide the transformation effort or to find key individuals to spend time and effort to communicate the change vision. Increasing urgency demands that management removes the sources of complacency or minimize their impact. Kotter (1996:40) list the sources of complacency as follows:

- The absence of a major and visible crises
- Too many visible resources
- Low overall performance standards
- Organizational structures that focus employees on narrow functional goals.
- Internal measurement systems that focus on the wrong performance indexes
- A lack of sufficient performance feedback
- A kill-the-messenger-of-bad-news, low-confrontation culture
- Human nature with its capacity for denial, especially if people are already busy or stressed.
- Too much happy talk from senior management.

Kets de Vries (2001:193) says that until people realise that circumstances have changed, that adaptation is needed, that what once was a recipe for successful performance has become a recipe for disaster, that what once were good practices are no longer viable, nothing good can happen. It should therefore be clear to the sceptics that the current state is no longer viable and that there is an actual misalignment between the organisation and the external environment in which it operates.

Kotter (1996:47) states that it is the role of the middle and lower levels of management to reduce the complacency and to increase the urgency levels. This however is not so easy to do if they do not have enough autonomy to affect the required transformation.

### **Creating the guiding coalition**

Kotter (1996:51) states that because major change is so difficult to accomplish, a powerful force is required to sustain the process. Luecke (2003:127) supports this by

stating that support for the change process must come from a coalition of key employees that should include the CEO. Change leaders can raise concerns about a current dilemma and urge management to take proactive action. No one individual will be able to develop the right vision, communicate it to a large number of employees, eliminate the obstacles, generate short term wins, lead and manage various change projects and anchor the new approaches in the organisation's culture. According to Kotter (1996:55) today's business environment is changing so rapidly that only teams with the right composition and sufficient trust among members can be highly effective. A guiding coalition that operates as an effective team can process more information more quickly. It can also speed up the implementation of new approaches because powerful people are truly informed and committed to key decisions.

Kotter (1996:57) has identified four key characteristics that are essential to members of the guiding coalition. They are:

- Position power – Are enough key players on board, especially the main line managers so that those left out can not easily block the process?
- Expertise – Does the individuals have the required knowledge so that intelligent decisions can be made?
- Credibility – Does the group have enough people with good reputations in the firm so that its communications will be taken seriously by employees?
- Leadership – Does the group include enough proven leaders to be able to drive the change?

This last characteristic is of special importance to Kotter (1996:58). He stresses that you need both management and leadership skills in the guiding coalition "A guiding coalition made up of only managers, even superb managers, will cause major change efforts to fail".

### **Developing a clear Vision**

Vision refers to a picture of the future with some explicit commentary on why people should strive to create that future. According to Kotter (1996:68-70) a good vision during a change process serves three important purposes:

- It clarifies the general direction for change – This is important as more often than not, people disagree on direction, or are confused or wonder whether the change effort is really necessary. With clarity of direction inappropriate processes can be identified and terminated and the resources freed can be used in the transformation process.
- It motivates people to take action in the right direction – In many organisations employees are forced out of their comfort zones. A good vision helps them to overcome the natural reluctance to do what is necessary. A good vision acknowledges that sacrifices will be required but make clear that these sacrifices will yield particular benefits and personal satisfaction that are far better to that available at this point in time.
- It helps to coordinate the actions of different people – With clarity of the vision employees and managers can figure out for them selves what to do without constant checking with the boss or their peers. Conflict between interdependent people can be reduced with a substantial saving for the organisation in terms of meetings.

The vision should be aligned to the values of the organisation and people should see it as being in their personal best interest. Luecke (2003:122) cited six characteristics of an effective vision in the context of planned change:

- It describes a desirable future that people would like to have immediately if they could.
- It has compelling features and moves people to engage in the effort to attain it.
- It is achievable and within the grasp of hard working people.
- It is focused around a coherent and manageable set of goals to guide future behaviour. It answers the question “What must we achieve?”
- It is flexible and can be adapted to changing circumstances.
- It must be easy to communicate to different interest groups in the organisation.

Kotter (1996:85) is of the opinion that the real power of vision is unleashed only when most of the people involved in an organisation or activity have a common understanding of the goals and direction of the organisation. The shared sense of a desirable future can help motivate and coordinate the actions that create transformation.

## **Communicating the vision**

Kotter (1996:85) is of the opinion that managers generally under communicate the vision or they inadvertently send out inconsistent messages with their actions. Failure in the first three phases according to Kotter (1996:86) often contributes to problems in this phase. When urgency is not high enough people don't listen carefully to information about the new vision. If the guiding coalition is not the right group it will have difficulties in creating and sending an appropriate message. If the vision itself is too blurry it will not be understood. Kotter (1996:90) has identified seven key elements that should be followed when communicating the vision to the organisation. They are:

- Keep it simple – All jargon and techno babble must be eliminated.
- Use metaphors, analogy and examples – A verbal picture is worth a thousand words.
- Use multiple forums – The vision should be communicated at all possible forums, meetings (big and small), memos, staff papers, formal and informal interaction are all effective ways of spreading the word.
- Repetition – Ideas sink in deeply after they have been heard many times.
- Leadership by example – Behaviour of important people that is inconsistent with the vision overwhelms the other forms of communication.
- Explanation of inconsistencies – Unaddressed inconsistencies will undermine the credibility of all communications.
- Give and take – Two way communication is always more effective and powerful than one-way communication.

Kets de Vries (2001:195) states that the vision should garner support for a new beginning by recognising the organisation's history and past successes. By recognising the organisation's history, leaders create pride in tradition that anchors the organisation as it moves in to the future. He also advises that the change vision and goals should set the boundaries or parameters of the change end-state. If people do not accept a vision, the next two steps in the transformation process will fail because employees will not take advantage of their empowerment nor put in the effort to generate the short term wins (Kotter 1996:100).

## **Empowering employees for broad based action**

Major internal transformation rarely happens unless many people assist. Employees generally won't help or can't help if they feel powerless. The purpose of this phase is to empower a broad base of people to take action by removing as many barriers to the implementation of the change vision as possible. Kotter (1996:115) suggests the following steps be taken to empower employees to affect change:

- Communicating a sensible vision to employees – If employees have a shared sense of purpose, it will be easier to initiate actions to achieve that purpose.
- Make structures compatible to the vision – Unaligned functional structures and silos can block needed action.
- Provide the training employees need – Without the right skills and attitudes, people will feel disempowered.
- Align information and personnel systems to the vision – Performance appraisal, compensation and promotion systems should be directed at creating actions to achieve the vision.
- Confront supervisor who undercut needed change – Nothing disempowers people more than a manager who does not support the change effort.

Luecke (2003:132) agree but highlights that the leadership must champion the change process by mobilising resources for the project and be accountable for the success or failure of the change journey. According to Kotter (1996:114) discouraged and disempowered employees never make organisations winners in a globalising environment but with the right structure, training, systems and supervisors to build on a well communicated vision organisations can tap an enormous source of power to improve organisational performance.

## **Generating short-term Wins**

Major change takes time. Zealous believers in the change programme will often stay the course no matter what happens. Many role players however, such as top management, employees, shareholders and customers, expect to see convincing effort that all the effort is paying off. Non believers often have even higher standards of proof that the effort is worth the effort. Running a transformation effort without

attention to short term wins can therefore be extremely risky (Kotter 1996:119). Not all achievement can be classified as a win. Kotter (1996:121) states that a short term win has at least three characteristics:

- It is visible – Large numbers of people can see for themselves the results that were achieved.
- It is Unambiguous – There can be little argument over the call
- It is clearly related to the change effort.

Luecke (2003:135) states that the focus should be on output achievement to reach the desired end-state, not on input activities. This implies clear measurements to indicate the achievement of the output goals. According to Kotter (1996:122) short term performance improvements help transformations in at least six ways:

- They provide evidence that the sacrifices are worth it – Wins generally help justify the short term cost involved.
- They reward change agents with a pat on the back – After a lot of hard work positive feedback builds morale and motivation.
- They help to fine tune the vision and strategies – Short term wins give the guiding coalition concrete data on the viability of their ideas.
- They undermine cynics and self-serving resisters – Clear improvements in performance make it difficult for people to block needed change.
- They keep the bosses on board – It provides those higher in the hierarchy with evidence that the transformation is on track.
- They build momentum – It turns neutrals into supporters and reluctant supporters into active helpers.

When it becomes clear that change efforts will take a long time, urgency levels usually drops. Commitment by management to produce short term wins can help to keep complacency down and encourage employees to perform at a higher level (Kotter 1999:87)

### **Consolidating gains and producing more Change**

As previously stated, major change often takes a long time especially in big organisations such as ABSA. Short term wins is essential to keep the momentum

going, but the celebration of those wins can be very damaging if the urgency is lost. Kotter (1996:133) states that once regression begins, rebuilding momentum can be a daunting task. The guiding coalition should therefore use the credibility afforded by the short term wins to push forward faster and tackling even more or bigger projects (Kotter 1996:140).

Progress in this stage can slip mainly because of the organisational culture and the increased interdependence that is created by a fast moving environment. The interdependence between various functions within an organisation is mainly the result of increased competition and the need to be faster, less costly and more customers focused than your competitors. This interdependence however complicates the transformation efforts because it makes it difficult to change anything without changing every thing (Kotter 1996:134). It will then become necessary to manage various different change projects all at the same time. Kotter (1996:141) is of the opinion that this is possible if senior executives mainly focus on the overall leadership tasks and they delegate responsibility for management and leadership as low as possible in the organisation.

Because the interconnections make change so difficult, people will start questioning the need for all the interdependence. If channelled properly, these inquiries can be very helpful to the guiding coalition. Many organisations have some unnecessary interdependencies that are the result of history instead of the current reality. The elimination of these interdependencies can make the transformation much easier (Kotter 1996:142).

Instead of declaring victory too soon leaders should launch new change programs during this stage of the transformation. They should also take time to ensure that the new practices are firmly grounded in the organisation's culture (Kotter 1996:144).

### **Anchoring new approaches in the Culture**

According to Kotter (1996:148) culture refers to the norms of behaviour and shared values among a group of people. Norms of behaviour are common or pervasive way of acting, which is found in a group and that persist because the group members

behave in way that teach these practices to new members. Those who fit in are rewarded and those who don't are sanctioned. Shared values are important concerns and goals shared by most of the people in a group. These tend to shape group behaviour over time, even when the group membership changes. Culture is important because it can powerfully influence human behaviour, therefore it is difficult to change and hard to address directly. When new practices made during a transformation effort is not compatible with the culture, it will always be subject to regression.

Kotter (1996:157) has the following a key features for anchoring change in a corporate culture:

- Culture comes last not first – Most alterations in norms and shared values come at the end of the transformation process.
- Depends on results – New approaches and practices usually sink into a culture only after it is clear that they work and are superior to the old methods.
- Requires a lot of talk – Without verbal instruction and support, people are often reluctant to admit to the validity of new practices.
- May involve people turnover – Sometimes the only way to change a culture is to replace certain key people in the organisation.
- Makes decisions on succession crucial – If promotion processes are not changed to be compatible with the new practices, the old culture will reassert itself.

According to Kotter (1996:158) it is because the change process is so difficult to bring about that the transformation process has eight stages instead of only two or three. The omission of any one of the stages will result in the change effort being a failure. For this reason it often takes a lot of time and requires the effort and leadership of many people to be successful. In the next section the views of Kotter (1996) on the role of leadership in the change process will be discussed briefly.



## 2.6 The role of leadership in the change process

Kotter (1996 :25) distinguish between management and leadership in the following way:

- Management is the set of processes that can keep a complicated system of people and technology running smoothly. The most important aspect of management includes planning, budgeting, organising, staffing, controlling and problem solving.
- Leadership is a set of processes that creates organisations in the first place or adapts them to significantly changing circumstances. Leadership defines what the future should look like, aligns people with that vision and inspires them to make it happen despite the obstacles.

From table 2.3 Kotter (1996:26) deducts that a clear distinction between Management and leadership is crucial in the change process. Kotter (1996:26) stresses that successful transformations is 70 - 90 percent leadership and only 10 - 30 percent management. Due to historical reasons many organisations today does not have much leadership and almost everyone thinks of change as a problem of *Managing Change* instead of *Leading Change*. During the twentieth century people were encouraged to learn management but people were taught little about leadership. The emphasis on management during this time according to Kotter (1996:27) was needed because for every entrepreneur or business builder who was a leader, hundreds of managers were needed to run the ever growing organisations. Unfortunately this emphasis on management has often been institutionalised in corporate cultures that discourage employees from learning how to lead. Ironically, past success is usually the key ingredient in producing this outcome. Success creates some degree of market dominance, which in turn produces organisational growth. After a while, keeping the ever larger organisation under control becomes the primary challenge and so attention turns inward and managerial competencies are nurtured. With the strong focus on management and not leadership, bureaucracy and an inward focus take over.

Table 2.3: Management vs Leadership (Source: Kotter JP (1996): Leading Change, USA: Harvard Business School Press).

Management	Leadership
<p><b>- Planning &amp; Budgeting:</b> Establishing detailed steps and time tables for achieving needed results, then allocating the resources required to make it happen.</p> <p><b>- Organising &amp; Staffing:</b> Establishing some structure for accomplishing planned requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide the people, and creating methods or systems to monitor implementation.</p> <p><b>- Controlling &amp; Problem solving:</b> Monitoring results, identifying deviations from the plan, then planning and organising to solve these problems.</p> <p><b>Management Produces:</b> a degree of predictability and order and has the potential to consistently produce the short-term results expected by various stakeholders (e.g. For customers - always being on time and for shareholders – being on budget).</p>	<p><b>- Establishing Direction:</b> Developing a vision of the future, often a very distant future, and strategies for producing the changes needed to achieve that vision.</p> <p><b>- Aligning People:</b> Communicating direction in words and deeds to all those whose co-operation may be needed so as to influence the creation of teams and coalitions that understands the vision and strategies and that accept their validity.</p> <p><b>- Motivating and Inspiring:</b> Energising people to overcome major political, bureaucratic, and resource barriers to change by satisfying basic, but often unfulfilled, human needs.</p> <p><b>Leadership Produces Change:</b> Often to a dramatic degree, and has the potential to produce extremely useful change (e.g. New products that customers want, new approaches to labour relations that help make the organisation more competitive).</p>

Continued success as a result of market dominance has the effect that this problem goes unaddressed and an unhealthy arrogance begins to evolve. This makes any transformation effort much more difficult as arrogant managers can over evaluate their current performance and competitive position, listen poorly and learn slowly.

Bureaucratic cultures can smother those who want to respond to the changing conditions and the lack of leadership leaves no force inside these organisations to break out of the morass (Kotter 1996:27).

Kotter (1996:29) states that the combination of cultures that resist change and managers who have not been taught how to create change is lethal. The errors described above are almost inevitable under these conditions. Sources of complacency are rarely attacked adequately because urgency is not a priority for people who have been asked all their lives to maintain the current system. A powerful enough guiding coalition with sufficient leadership is not created by people who have been taught to think in terms of hierarchy and management. Visions and strategies are not formulated by individuals who have learned only to deal with plans and budgets. Sufficient time and energy are never invested in communicating a new sense of direction to enough people. This is not surprising in the light of a history of only communicating to the direct reporting line. Structures, systems lack of training or supervisors are allowed to disempower employees who want to help implement the vision. This is predictable given how little most managers have learned about empowerment. Victory is declared much too soon by people who have been taught to think in terms of system cycle times: hours, days, and weeks not years. New approaches are seldom anchored in the organisation's culture by people who have been taught to think in terms of formal structure, not culture. As a result, expensive acquisitions produce none of the expected synergies, dramatic downsizing fail to get cost under control, huge reengineering projects take too long and provide little benefit and bold new strategies are never implemented well.

Kotter (1996:30) concludes that managing change is important because without competent management, the transformation process can get out of control. For most organisations however the much bigger challenge is leading change. Only leadership can blast through the many sources of corporate inertia. Only leadership can motivate the actions needed to alter behaviour in any significant way. Only leadership can get change to stick by anchoring it in the very culture of an organisation.

## 2.7 The Balanced Scorecard Defined

A successful Balanced Scorecard program starts with the recognition that it is a change process (Norton & Kaplan (2001:16)). Because of the fact that it is a change process the effective implementation of the change can be measured against the eight step change process as described by the planned change process of Kotter (1996) above. The eight step model, proposed by Kotter (1996), could be broadly categorised into three areas that are fundamental to a successful change management program. The first three relate to the planning of the process. The next three relate to the implementation of the process and the last two steps relate to evaluating and sustaining the changes brought about by the first two phases.

Leading organisations agree on the need for a structured methodology for using performance measurement information to help set agreed upon performance goals, allocate and prioritise resources, inform managers either to conform to or change the current policy or programme direction to meet those goals and to report on the success in meeting those goals. Organisations generally use top down management reviews to determine compliance with established process orientated criteria and to clarify the adequacy of the business systems. This method lacks focus on the outcomes of the processes used and was largely ineffective in obtaining dramatic and sustainable improvements in the quality of the operations (Andrew, 2002:2).

The Balanced Scorecard was developed by Kaplan & Norton in the early 1990's to solve a measurement problem. In knowledge based competition the ability of organisations to develop, nurture and mobilise their intangible assets was critical for success. Financial measurements however could not capture the value creating activities from an organisation's intangible assets like the skills, competencies, motivation of employees, information technologies, customer loyalty and political and societal approval. As a solution to this performance management problem they proposed the Balanced Scorecard (Kaplan & Norton, 2001:vii)

Apart from being a measurement framework the balanced scorecard also achieved recognition as a strategic management system (Kanji & e Sa, 2002:13). Anthes

(2003:34) defines the balanced scorecard as a set of principals and techniques for improving an organisation's performance in four general areas.

Kaplan and Bower (2002:181) define the balanced scorecard as a strategic management system using a framework and core principals to translate an organisation's mission and strategy into a comprehensive set of performance measures and strategically align initiatives. The organisation's mission and strategy are translated into strategic objectives and measure the four perspectives of Finance, Customer, Processes and finally Learning and Growth. The framework provides a balance between short and long term objectives, financial and non-financial measures and external and internal performance indicators. Most importantly the scorecard balances the outcomes that the organisation wants to achieve and the drivers of those outcomes.

Voelker, Rakich and French (2000:1) see the balanced scorecard as essentially a customised performance measurement system that goes beyond conventional accounting and is based on organisational strategy. It is thus a holistic methodology that converts an organisation's vision and strategy into a comprehensive set of linked performance and action measures that provide the basis for successful strategic measurement and management. It is considered balanced because the performance measures are grouped into various perspectives that are critical for organisational success. The system strikes a balance between financial/operating and other measures and provides a set of forward looking performance indicators linking strategy to specific actions. These measures and indicators, when correctly developed, provide a comprehensive view of organisational performance.

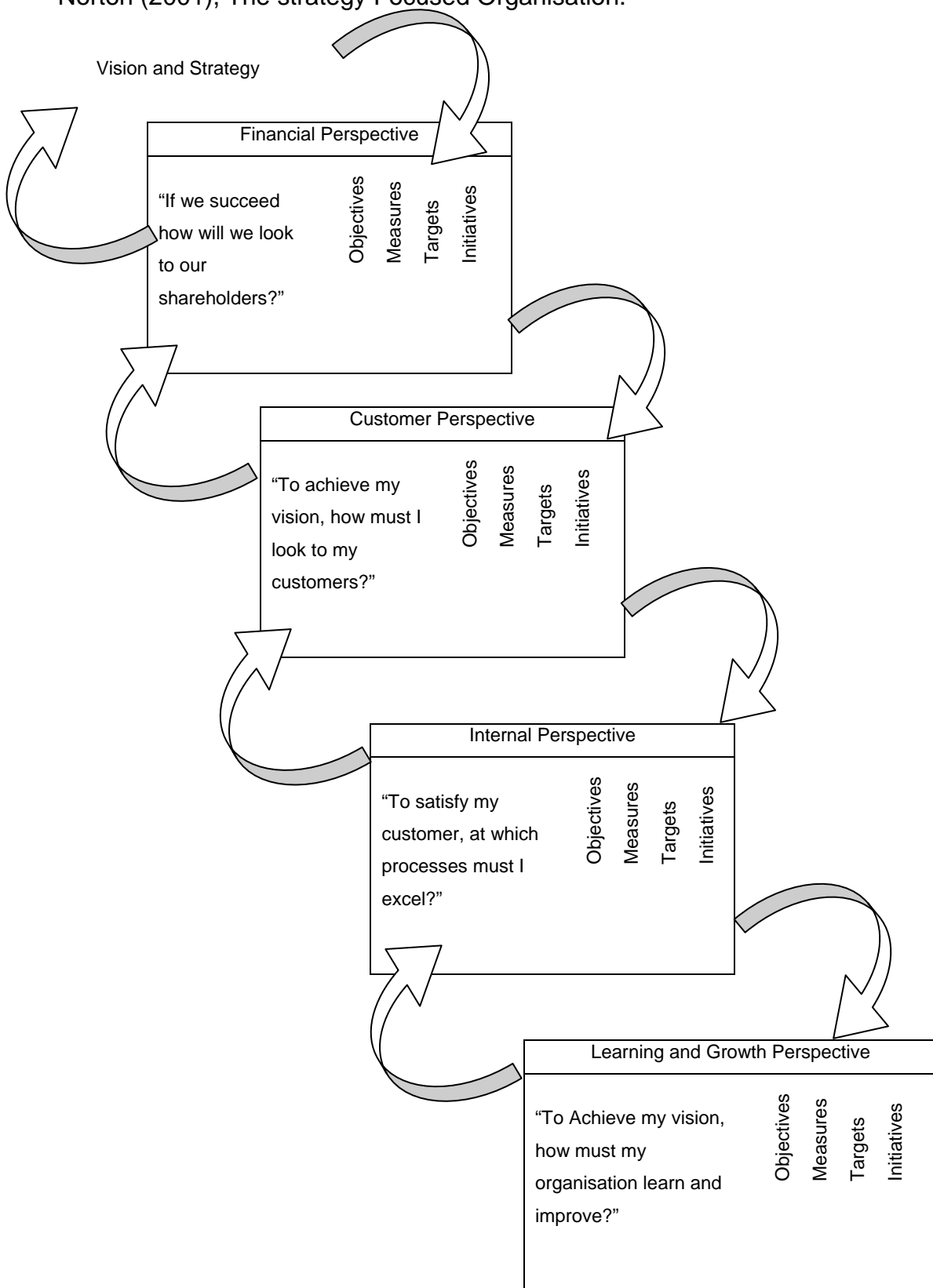
## 2.8 The Design of the Balanced Scorecard

The process for the implementation of the balanced scorecard is described by Achterbergh et al, (2003:1395). The process begins with the formulation of the mission, core values and vision of the organization. Desired outcomes for each of the customer and the shareholders are formulated. Based on the desired outcomes, objectives, measures, targets and initiatives are specified from the top-down for each of the four perspectives at every level in the organization.

The realization of the desired outcomes is driven from the bottom-up. Initiatives in the learning and development perspective drive the improvement of the internal business processes. These improvements are needed to initiate and realize improvements in the customer perspective that finally drive the realization of the improvement of shareholder value in the financial perspective. The balanced scorecard therefore supports the alignment of strategy with performance measures by making every one in the organization understanding the strategy and co-coordinating their actions towards achieving the strategy (Achterbergh et al, 2003:1396).

The balanced scorecard is a conceptual framework for translating and organisation's strategy into a set of performance indicators distributed across the four perspectives of Finance, Customer, Internal Business Processes and Learning and Growth. Figure 2-1 illustrates the architecture of the balanced scorecard and it is described by Kaplan & Norton (2001:76). The scorecard defines a set of near term objectives and activities, the drivers, which will differentiate the organisation from its competitors and create long term customer and shareholder value, the outcomes. The process begins in a top down fashion, clearly defining the strategy from the perspective of the shareholder and customer. It should ask, "What are the financial objectives for growth and productivity? What are the major sources of growth?" Once the financial objectives have been specified, the process continues by asking, "Who are the target customers that will generate revenue growth? What are their objectives, and how do we measure success with them?"

Figure 2.1 : Defining the cause effect Relationships of strategy (Source: Kaplan & Norton (2001), The strategy Focused Organisation.



The customer perspective should also include the value proposition, which defines how the company differentiates itself to attract, retain and deepen relationships with targeted customers. The financial and customer objectives are the desired outcomes, but they don't explicate how to achieve them. The internal business processes such as product design, brand and market development, sales, service and operations define the activities needed to create the desired customer value proposition and differentiation, and the desired financial outcomes. The fourth perspective recognises that the ability to execute internal business processes in new and differentiated ways will be based on the organisational infrastructure. These include the skills, capabilities and knowledge of employees, the technology that they use and the climate in which they work. The architecture of the balanced scorecard has a top down logic, starting with the desired financial and customer outcomes and then moving to the value proposition, business processes and infrastructure that are the drivers of change. The relationship between the drives and the desired outcomes constitute the hypotheses that define the strategy (Kaplan & Norton, 2001:77).

## 2.9 The Perspectives of the Balanced Scorecard

### 2.9.1 Financial Perspective

The question to be considered in this perspective is: "How should the company present itself to shareholders and investors in order to be considered a financial success and an attractive investment".

As long as organisations have existed, the traditional method of measurement has been financial. Bookkeeping records used to facilitate financial transactions can literally be traced back thousands of years. Financial measures of performance have evolved and today the concept of economic value added or EVA is quite prevalent. This concept suggests that unless an organisations profit exceeds its cost of capital it is not really creating value for its shareholders (Achterbergh et al, 2003:1401).

Financial measures are an important component in the balanced scorecard, especially for a profit seeking organisation such as ABSA. The measures in this perspective normally indicate if your strategy execution, which is detailed through



measures chosen in the other perspectives, is leading to improved bottom line results. It serves no purpose to focus all energy and capabilities on for example improving customer satisfaction or quality of services without any indication of their effect on the organisation's financial returns as they will then have limited value. In the financial perspective one normally encounters classic lagging indicators such as profitability, revenue growth and economic value added (Niven, 2002:170).

### 2.9.2 Customer Perspective

When choosing measures for the customer perspective of the balanced scorecard organisations must answer two critical questions: Who are our target customers and what is our value proposition in servicing them.

Although this may sound simple both of these questions offer many challenges to organisations. Many organisations will state that they have a target customer market, yet their actions reveal an "all things to all customers" strategy. This lack of focus will prevent an organisation from differentiating itself from competitors. Choosing an appropriate value proposition can also pose a significant challenge to many firms (Niven, 2002:153). Many will choose one of three disciplines as described by Kotler & Armstrong (1996:603)

- Operational Excellence: Organisations pursuing an operational excellence discipline focus on low price and convenience.
- Product leadership: Product leaders push the envelope of their firm's products. Constantly innovating they strive to offer simply the best product in the market.
- Customer intimacy: Doing whatever it takes to provide solutions for unique customer needs help define the customer intimate company. The company does not look for one time transactions but instead focus on long term relationship building through their deep knowledge of customer needs. ABSA represent such an organisation.

Regardless of the value discipline chosen, this perspective will normally include measures widely used today such as customer satisfaction, customer loyalty, market share and new customer acquisition (Niven, 2003:155).

### 2.9.3 Internal Process Perspective

The internal process perspective of the balanced scorecard identifies the key processes in which the firm must excel in order to continue adding value for customers and ultimately shareholders. Each of the customer disciplines outlined above will entail the efficient operation of specific internal processes in order to serve the customers and fulfil the value proposition. The task in this perspective is to identify those processes and develop the best possible measures with which to track the progress. To satisfy customer and shareholder expectation it might be necessary to identify and develop entirely new processes rather than focusing the efforts on the incremental improvement of existing activities. Product development, production, manufacturing, delivery and post-sale service may be represented in this perspective (Niven, 2002:141).

### 2.9.4 Learning and Growth Perspective

The measures in the learning and growth perspective of the balanced scorecard are the enablers of the other three perspectives. In essence they are the foundation upon which this entire house of a balanced scorecard is built. Once measures and related initiatives in the customer and internal perspectives are identified it will logically follow that some gaps will exist between the current organisational infrastructure of employee skills and the information systems and the level necessary to achieve the required results. The measures designed in this perspective will help close the gaps and ensure sustainable performance for the future. The measures in this perspective should be thought of as the roots of a tree that will ultimately lead through the trunk of internal processes to the branches of customer results and finally to the leaves of financial return. Employee skills, employee satisfaction, availability of information and alignment could all be placed in this perspective. (Niven, 2002:123).

## 2.10 Creating a strategy focused organisation

Kaplan and Norton (2001) have identified five principals managers should be aware of in creating a strategy focused organization.

- a. Translate the strategy to operational terms - invites managers to coherently and systematically describe their strategy in terms of the logical architecture of a strategy map and balanced scorecards (Kaplan and Norton, 2001:11).
- b. Align the organisation to the strategy - focuses managers on linking the scorecards they make for their own business units to create synergy between business units. These linkages describe how the organisation creates synergies by integrating the activities of otherwise segregated and independent units (Kaplan and Norton, 2001:11).
- c. Make strategy everyone's everyday job - stresses the importance of sharing the logic of the scorecards by means of education and training, cascading scorecards from higher to lower organisational levels and linking incentive compensations to scorecards (Kaplan and Norton, 2001:13). These measures aim at making everyone understand the scorecard and motivating employees to use it in their daily activities.
- d. Make strategy a continual process -expresses that using the balanced scorecard is a continuous process of learning and feedback. To support this process, Kaplan and Norton (2001:14) suggest that strategy should be linked to the budgeting process, the introduction of simple management meetings to review the strategy and the continuous modification of the strategy are dependent on measured performance. Kaplan and Norton (2001:14) urge management teams to: "monitor performance against the strategy, work as teams to interpret the data, develop new strategic insights, formulate new strategic directions, update the measures on the scorecards, and change their budgets".
- e. Mobilise change through executive leadership - points at unfreezing old values, changing them and re-freezing the values of the balanced scorecard in the organisation (Kaplan and Norton, 2001:16). Implementing the balanced scorecard requires creating momentum to get the transition process launched and governing it to institutionalise the use of the balanced scorecard at all levels of the organisation (Kaplan and Norton, 2001:17).

The five principles to create strategy-focused organisations are directed at putting to use the generic descriptive framework of the strategy map. The strategy map is the template that allows for translating, measuring, assessing, and modifying the strategy

in terms of lagging and leading indicators defined at each level in the organisation. The strategy map indicates the domains of organisational knowledge required to realise the alignment of organisational units and employees in their focus on the organisation's strategy (Kaplan and Norton, 2001:69).

The development of a strategy map proceeds in a top down fashion. It begins with the high level financial strategy for growth, profitability and shareholder value. Creating shareholder value is the outcome that every strategy seeks to accomplish. An organisation would typically choose one overarching or dominant objective as its long term indicator of success (Kaplan and Norton, 2001:83). Whether companies use Return on Investment (ROI), Economic Value Added (EVA) or some other value based metric as the high level financial objective, they only have two basic strategies for driving the financial performance. These are revenue growth and productivity. The revenue growth strategy focuses on the development of new sources of revenue and profitability while the productivity strategy focuses on cost reduction and better efficiency (Kaplan and Norton, 2001:84-85).

The core of any business strategy, connecting an organisation's internal processes to improved outcomes with customers, is the value proposition delivered to the customer. A clearly stated value proposition provides the ultimate target on which the strategic themes of critical internal business processes and infrastructure are focused. The development of this layer of the strategy map forces managers to clarify their understanding of the customer. It is important to clearly identify the organisation's targeted customers as they will become the focus of the customer outcome measures in the balanced scorecard (Kaplan and Norton, 2001:86-89).

According to Kaplan and Norton, (2001:90) strategy must not only specify the desired outcomes, it must also describe how it will be achieved. Therefore the art of developing a successful and sustainable strategy is ensuring alignment between the organisation's internal activities and the customer value proposition. The activities of an organisation are embodied in the internal business processes that comprise its value chain. Although all the processes are important and must be performed well by the organisation, the organisation must excel at the one process that has the

maximum impact on its customer value proposition. The other processes are supportive not primary (Kaplan and Norton, 2001:90).

The learning and growth strategy defines the intangible assets needed to enable organizational activities and customer relationships to be performed at ever-higher levels of performance. By attending to the learning and growth strategy after the three other perspectives have been defined, executives can align their human resources, information technology and corporate climate objectives with the requirements of the strategic business processes and customer value proposition strategy. Kaplan and Norton (2001:95) emphasize the importance of this perspective by comparing it to the roots of a tree. It is the source of support, nourishment and growth for the beautiful foliage and blossoms (financial breakthroughs) that appear at higher elevations of the scorecard. The learning and growth initiatives are the ultimate drivers of strategic outcomes.

## 2.11 Summary

Leading organisations agree on the need for a structured methodology for using performance measurement information to help set agreed upon performance goals, allocate and prioritise resources, inform managers either to conform to or change the current policy or programme direction to meet those goals and to report on the success in meeting those goals. The Balanced Scorecards is such an approach requires a shift in the mindset of employees at all levels of the organisation. This is required because of the fact that this approach breaks from traditional emphasis on financial performance only. The balanced scorecard reflects the strategy of the organisation so that all employees in the organisation can become aligned to that strategy and focuses their efforts towards achieving the strategy. The implementation of this approach is thus a change process in itself that has to be implemented in the same way than any other change project. An approach such as the eight step model described by Kotter is recommended as it gives structure to the process. Implementing the approach often takes a lot of time and requires the effort and leadership of many people to be successful. The omission of any one of the stages will result in the change effort being a failure.

In the next chapter the background to the introduction of the balanced scorecard in AVAF will be outlined and the reasons for the introduction discussed. Finally the implementation phase of the balanced scorecard in AVAF is discussed.

## Chapter 3

### The Balanced Scorecard in AVAF

#### 3.1 Introduction

Change management and performance management are broad topics that could be applicable to an entire organisation, just one individual or somewhere in between. Increased global competitiveness and the demands placed on business make change inevitable. Although technology enables ABSA to maintain the status quo, rapid, discontinuous and unpredictable change means that ABSA has to adapt. One of the core capabilities of the ABSA group is the effective execution of change processes. Credit, security and operational risk have increased. This has to be considered when implementing change within the group. It is thus important to determine the effect that the implementation of the balanced scorecard had on employees at grass roots level.

In this chapter the background to the integration of Bankfin into ABSA is sketched. This is followed by a closer look at the use of the balanced scorecard in AVAF followed by an overview on the implementation of the balanced scorecard.

#### 3.2 The integration of Bankfin into ABSA.

Bankfin has always been an integral part of the ABSA Group, even though it operated from independent branches. Globally smaller organisations are achieving growth by leveraging off the success of larger and more powerful parent companies with well established brands. In the case of Bankfin ABSA provided such a solution. In the 5 years prior to the integration the ABSA brand has grown to be one of the most powerful and recognisable brands in the country. It therefore became apparent that Bankfin would benefit significantly by having a closer association with the group. Accordingly a strategic decision was taken to migrate the brand from Bankfin to ABSA (Abacus: March 2003:1). Bankfin have adopted a new operating model in 2001 to align itself with the operating model of the ABSA Group. In 2002 the external alignment of Bankfin with ABSA commenced and in 2003 the integration of Bankfin

into ABSA was finalised. The Bankfin brand was replaced by ABSA Vehicle and Asset Finance (AVAF). The Internal newspaper of the group listed the reasons for the integration as follows (Abacus: June 2003:8-9):

- To ensure continuous business improvement in the AVAF value proposition.
- To increase customer service delivery by having a more focused strategy in each of the market segments.
- To align with the ABSA operating model.
- To protect the AVAF stronghold as asset-based finance leader.
- To be able to leverage of the ABSA competencies that exists in the broader group.

### 3.3 The use of the balanced scorecard in AVAF

Management decided to implement the Balanced Scorecard to ensure organisational effectiveness during and after the integration. Balanced Scorecards for AVAF began with the translation of strategy and vision into a driver tree hierarchy that was then converted to measures. From here critical success factors were defined and targets were set, so that areas key to the implementation of the strategy could be measured and managed. The underlying principal was that innovation and performance management in AVAF, together with effective business processes, will produce customer satisfaction through quality products and service (Abacus: September 2004:6).

The AVAF Commercial Sales front end is seen as the portal to the business unit's clients. Any individual or business unit performance management methodologies will significantly impact on the performance of employees. Traditional performance management focused on financial performance indicators only. These indicators included the contribution of the unit to the bottom line, productivity, return on investment and on equity and production targets. Each business unit was measured on its financial success. Little or no consideration was given to non financial matters such as training, customer focus and business process optimisation. Best practices were rarely shared as old style managers did not want to compromise the financial performance of their business units. Benchmarking existed only in terms of financial measures.



Continuous performance improvement in AVAF is required not only to satisfy the shareholders of ABSA but also to contribute to the global market. Various studies during the last 15 years have indicated that traditional performance measures, based on management accounting systems, are inappropriate. They have cited various limitations of the traditional performance measures that include:

- They are based on traditional cost management systems
- They use lagging metrics
- They are not incorporated in strategy
- They are difficult to implement in practice
- They tend to be inflexible and fragmented
- They contradict accepted continuous improvement thinking and
- They neglect customer requirements

### 3.4 The Implementation of the Balanced Scorecard in AVAF

This study only focuses on the *Implementation* part of Kotter's (1996) model.

The planning phase was done by a separate business unit called Group Implementation Services. Group Implementation Services provides an implementation service with the aim to ensure sustainable change to realise benefits and value for ABSA. This business unit was thus responsible for creating the sense of urgency among first line and middle managers. The guiding coalition was formed by senior executives of AVAF and included some middle and lower level management individuals. The AVAF strategy was developed by this executive committee to be in line with that of ABSA. This process was supported and coordinated by Group Implementation Services.

The implementation phase of the change programme was communicated to employees by way of the internal news paper Abacus and in team meetings by first line managers. The articles as cited above informed the employees of the reasons for the use of balanced scorecards and the benefits it would create for the team and individuals. Training sessions was organised to explain the theory and application of the balanced scorecard to the employees. The strategy of the organisation was

explained and how it ties up with the individual performance appraisals as per the balanced scorecard approach.

According to an article in the September edition of Abacus (2004:6), the internal newspaper of the group, the Balanced Scorecard should:

- Help align key performance measures with strategy at all levels of the organisation.
- Provide management with a comprehensive picture of business operations.
- Facilitate communication and an understanding of business strategy at all levels of the organisation.
- Provide strategic feedback and learning.

The basic philosophy of the balanced scorecard program is that people will focus on what is being measured. If AVAF Commercial sales know what its impact is in determining shareholder value, it has a foundation to work from.

To my knowledge no celebration took place with regard to the implementation of the balanced scorecard at grassroots level as this was a top down implementation. It was mainly the responsibility of first line managers to motivate and mobilise grassroots employees to create their own balanced scorecards.

The anchoring of the changes into the corporate culture is an ongoing process and will only be visible in the long run. The study does not focus on this area of Kotter's (1996) model.

### 3.5 Summary

In order for ABSA to maintain and improve their competitive advantages, performance measures are widely used to evaluate, control and improve business processes. These performance measures however can no longer focus on financial measurements only. Financial measurements can not capture the value creating activities from an organisation's intangible assets like the skills, competencies, motivation of employees, information technologies, customer loyalty and political and societal approval. Given the fact that the Absa Group differentiates itself through their

customer centric approach, it is imperative for managers to understand the dynamics and shortcomings of the existing Balanced Scorecards in use because, in the end, what you measure is what you get.

In the next chapter the methodology employed for conducting the research is sketched. First the methodology and design for the study is explained. Thereafter the population and sample are placed in perspective. Ethical considerations are highlighted and the measuring instrument is discussed.

## Chapter 4

### The Research Methodology of the Study

#### 4.1 Introduction

In this chapter the methodology employed for conducting the research is sketched. First the methodology and design for the study is explained. Thereafter the population and sample are placed in perspective. Ethical considerations are highlighted and the measuring instrument is discussed.

#### 4.2 Research methodology

This study will be qualitative in nature. According to Leedy (2005:94) qualitative research is typically used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants' point of view. The benefit of a qualitative research, applied to an actual case study, is that an intense understanding of the theory can be gained and the findings used to benefit a case-specific application such as the AVAF commercial sales front end. Leedy (2005:135) indicates that qualitative research studies normally serve one or more of the following purposes:

- Description – They can reveal the nature of certain situations, settings, processes, relationships, systems or people.
- Interpretation – They enable person to gain new insights about a particular phenomenon.
- Verification – They allow a person to test the validity of certain assumptions, claims, theories or generalisations within the real world context.
- Evaluation – They provide a means through which a person can judge the effectiveness of particular policies, practises or innovations.

There are several reasons to use qualitative research. Malhotra (1999:148) states that it is not always possible or desirable to use fully structured or formal methods to obtain information from respondents. People may be unwilling or unable to answer certain questions. Sometimes people are unwilling to give truthful answers to

questions that invade their privacy, embarrass them or have a negative impact on their ego or status.

The research will take place at the AVAF commercial sales front end and is case specific to the AVAF commercial sales front end only. In a case study a particular individual program or event is studied in depth for as defined period of time. A case study is especially suitable for learning more about a little known or poorly understood situation. It is also useful to investigate how an individual program or event changes over time as a result of an intervention such as a change program (Leedy, 2005:135).

#### 4.3 Research Design

The exploratory descriptive research method will be used for this study. According to De Vos (2002:109) exploratory research is conducted to gain insight into a situation and descriptive research presents a picture of the specific details of that situation. This research will be used to elicit the views of employees in the AVAF Commercial sales front end. This will clarify certain perceptions and increase the understanding of the research problem.

#### 4.4 Population and Sample

The population or universe is described by Zikmund (2000: 339) as any complete group of people, companies, stores, students and the like that share some set of characteristics. The distinction between a population and a universe is made on the bases of whether the group is finite (population) or infinite (universe). The population is the AVAF Commercial sales front end and consists of 41 business development officers, 25 business analysts and 23 client liaison officers. The population size is therefore 89 employees in total. The unit of analysis is therefore the individuals in the AVAF sales front end. All of these individuals report directly to one of the 6 regional managers in their area. The regional managers are the first line of management in the AVAF structure. These individuals are stationed throughout South Africa.

#### 4.4.1 Sampling Type

For the purpose of this study a purposive non-probability sample type will be used. The purpose of sampling is to enable researchers to estimate some unknown characteristic of a population and to make conclusions regarding the whole population. Zikmund (2000:338) describes a sample as a part of a larger population. Probability sampling is a technique in which every member of the population will have a known probability of selection Zikmund (2000:350). Non-probability sampling refers to a technique in which units of the sample are selected on the basis of personal judgement or convenience Zikmund (2000:350). Purposive sampling is based entirely on the judgement of the researcher in that a sample is composed of elements that contain the most characteristics, representative or typical attitudes of the population De Vos (2002:207).

#### 4.4.2 Sampling Size

Based on the tables in De Vos (2002:201) a population size of 89 will require a sample size of 45.

#### 4.5 Data Collection

According to Leedy (2005:144) the methods of collecting data in a case study such as this are observations, interviews and appropriate written documents and/or audiovisual material. Data collection in this study will be done by means of a focused interview consisting of questions on an interval scale. An interval scale of measurement is characterised by two features:

- It has equal units of measurement and
- The zero point has been established arbitrarily Leedy (2005:26).

The focused interview will consist of structured questions that will cover facts, opinions and attitudes. Zikmund (2000:177) describes a structured question as a question that imposes a limit on the number of allowable responses to that question. The questions in this study will be focusing on the implementation and evaluation phase of the change model and will limit the respondent to a specific range of responses so that the respondent cannot stray beyond the questions.

Primary data was obtained by means of a structured interview. The answers had to reflect the views of the individuals in the AVAF sales front end. The interview focused on specific items seeking to understand the views of the individuals.

The data will be analysed to determine the frequency distribution of the data for each question. The collected data will be analysed by making use of available computer software like SPSS Data Entry and SPSS/PC+ to present the data in various statistical formats by making use of the services offered by the University of Johannesburg. Interpretation of the data will then be undertaken with a view to eventually reach meaningful conclusions (De Vos (2002:223)). Further face to face interviews will be conducted with about five to eight respondents after the analysis in order to get a more in depth understanding of the main perceptions and problem areas.

#### 4.6 Trustworthiness of the Research

De Vos (2002:337) states that the pilot study in qualitative research allows the researcher to focus on specific questions. By testing the nature of the questions in the pilot study allows for modifications to be made with the view to quality interviewing during the main investigation. A pilot study will be conducted with five respondents to determine if the relevant data can be obtained from the respondents and to test if all respondents will understand the questions in the same way.

#### 4.7 Ethical Aspects

The following ethical aspects were considered during the study (De Vos 2002:63):

- Informed consent – The respondents were informed beforehand as to the intent of the study.
- Deception – No information that could possibly change the decisions of the respondents was withheld. The intent and mandate to do the research were made clear from the outset.
- Anonymity – Interviews were completed anonymously to ensure the privacy of the subjects.

- Confidentiality – All the information received was handled in a confidential manner.
- Publication of findings – A written report was compiled. This was done as accurately and objectively as possible.

#### 4.8 Assumptions

The main purpose of the study is the evaluation of the introduction of the Balanced Scorecard as a measurement tool during the change process within AVAF Commercial sales front end. A few logical assumptions have been made and carefully considered so that they do not influence the credibility of the research proposal. It was assumed that:

- The study will not include the other business units within the ABSA Group.
- The study will only focus on employees in the sales front end. These employees include Business Analysts, Business Development Officers and Client Liaison Officers. Employees not directly involved with the external clients of commercial sales are therefore excluded from the study.
- All interviews were conducted in a fair, unbiased manner and that all relevant questions were understood and answered in such a way as to truly reflect the attitudes and opinions of all the respondents.
- The respondents had sufficient information about the implementation of the balanced scorecard to provide meaningful responses.
- The literature used in the study is precise and reflects true representation of the evaluation philosophy, but is not exhaustive.
- The sub-problems are meaningful in relation to this specific implementation, but are not necessarily exhaustive.

#### 4.9 Importance of the study

The management of AVAF need to be sure that the implementation of the balanced scorecard had been successful. If not, corrective actions need to be taken to ensure that all employees are aligned with the vision of AVAF within the ABSA group. This study will expose any shortcomings during the change process and will enable management to take corrective actions based on the recommendations of the study.



This will add to the body of knowledge inherent, and documented, within the company. By presenting to management and staff different views and ways to approach problems and instilling an understanding of the importance of change management, the group knowledge will increase.

#### 4.10 Summary.

Even though there are only 89 individuals in the AVAF sales front end, this team is responsible for generating revenue on a note worthy scale. The main purpose of this research is to elicit the views of this elite team in order to identify problem areas and to be proactive in improving the Balanced Scorecards currently implemented in the regions. It is of utmost importance for these individuals to buy into the vision and strategic goals as mapped out in the existing balanced scorecards, as this is the only road map to becoming the pre-eminent bank on the African continent.

In the next chapter the research findings and results will be analysed and discussed. Recommendations will be made to management based on the findings. The discussion will focus on each of the three sections of the implementation phase. Tables and figures will be used throughout to assist in the interpretation of the research results.

## Chapter 5

### Research Findings and Analysis.

#### 5.1 Introduction

This chapter discusses the findings and analysis of the research. Tables and Figures are used throughout to assist in the interpretation of the research results. The discussions focus on each of the three sections of the implementation phase. Certain logical inferences are made and highlighted where applicable. The analysis links the findings back to the theory in chapter 2.

#### 5.2 The Research

According to Kotter (1996) successful change will only occur with the correct implementation of the vision and strategies set up during the planning phase. Steps four to six in the Kotter (1996) model relates to this implementation phase. This implies that management should:

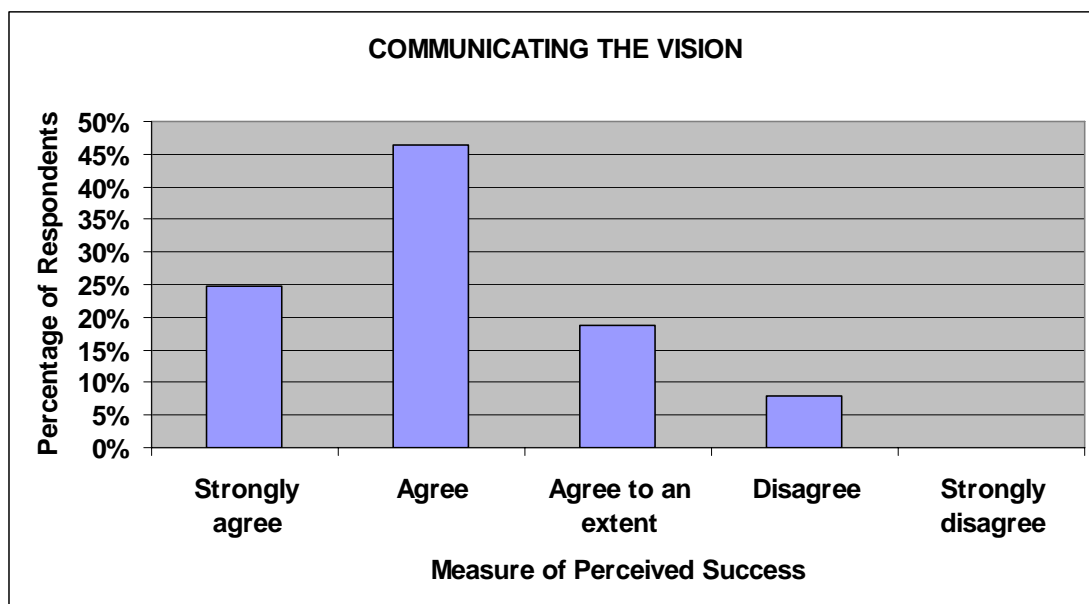
- Communicate the change vision
- Empower broad based action
- Generate short-term wins

After a pilot study conducted with five selected employees a total of 90 questionnaires were distributed to the employees in the AVAF Commercial sales front end. A total of 51 responses were received by the closing date. This represents 57% of the population and thus a representative sample of employees in the AVAF Commercial sales front end. The findings were then discussed at length by conducting series of personnel interviews with a select group of employees at the company, to ascertain if they agree with the findings and to determine what they deem to be the underlying reasons for employees having expressed their dissatisfaction with several elements relating to the implementation of the balanced scorecard.

### 5.3 Findings on communicating the vision

Figure 5.1 indicates that 71% of employees have perceived the communication during the implementation phase to be effective while 19% of respondents agreed to some extent. It is commendable that although 8% of respondents disagree, none of them strongly disagree. From the results of the survey it would seem that the vision was communicated effectively to the AVAF Commercial front end by line management. A more detailed breakdown of each statement is provided in table 5.1.

Figure 5.1 Summary of findings on Communicating the Vision



The first five statements, as depicted in Table 5.1, elicited the views of employees to determine how effectively the change programme of the balanced scorecard was communicated. It tested the first six elements of effective communication as described by Kotter (1996:90). The next four statements (6-9) elicited the views and perceptions of employees on two way communication. More statements were used to test this perception due to the importance of this aspect.

From the responses received for statement 1 it is clear that 81% the employees have a clear understanding of the purpose of the balanced scorecard. A somewhat alarming 20% of employees only agreed to some extent but it is very encouraging to note that none of the respondents disagreed with the statement.

Table 5.1 : Research Findings on Communicating the vision

No	Statement	Strongly agree	Agree	Agree to an extent	Disagree	disagree
1	The purpose of the balanced scorecard in AVAF is clear to me	24%	57%	20%	0%	0%
2	The reasons for the implementation of the balanced scorecard were made clear to me by my line manager	41%	45%	14%	0%	0%
3	The perspectives of the balanced scorecard gave me a better understanding of the strategy of AVAF Commercial	25%	62%	13%	0%	0%
4	I received regular updates of the benefits that the balanced scorecard approached had for AVAF Commercial	10%	47%	39%	4%	0%
5	The information received about the balanced scorecard process was clear and understandable	20%	63%	18%	0%	0%
6	I was given the opportunity to give input before the implementation of the balanced scorecard.	24%	31%	24%	22%	0%
7	I provided input during the implementation of the balanced scorecard.	24%	33%	20%	24%	0%
8	My input was valued by my manager	24%	27%	16%	22%	0%
9	I feel free to discuss performance related problems in terms of the balanced scorecard proactively with my manager	31%	53%	4%	0%	0%

From the responses received for statement 2 it is clear that 86% of employees were satisfied that the reasons for the implementation were communicated effectively to them. Only 14% of respondents agreed to some extent and once again it is encouraging to note that none of the respondents disagreed with the statement.

From the responses received for statement 3 it is clear that 87% of the employees indicated that they have a thorough understanding of the AVAF commercial strategy through the perspectives of the balanced scorecard. Only 14% of respondents agreed to some extent and once again it is encouraging to note that none of the respondents disagreed with the statement.

From the responses received for statement 4 it is noted that only 57% of employees felt that the benefits that the balanced scorecard has to offer AVAF Commercial were communicated to them. An alarming 39% only agreed to some extent to this statement while 4% of respondents disagreed with the statement. None of the respondents strongly disagreed with the statement.

From the responses received for statement 5 it is noted that a satisfactory 83% of employees indicated that the information that they received was clear and understandable. Only 18% of respondents agreed to some extent with the statement. Once again it is encouraging to note that none of the respondents disagreed with the statement.

From the responses received for statement 5 it is a concern that only 55% of employees indicated that they were given the opportunity to give input during the implementation phase. 24% of respondent agreed to some extent to this statement while an alarming 22% indicated that they were not given the opportunity to give any input during the process.

From the responses received for statement 6 it is a concern that only 57% actually provided input during this phase. 20% of respondents felt that they have provided input to some extent while 24% indicated that they did not provide any input. The reaction to the two previous statement would suggest that only those who felt that they had an opportunity actually participated in the process. It is also only these employees that felt that their input was valued by their managers. A mere 61% felt that management valued their input while a further 16% agreed to this to some extent. At most a quarter of the respondents indicated that management did not value their input. Many reasons relating to personal or structural issues within the organisation may be the course of this.

Despite the less than satisfactory results in the three previous statements, more than 84% of respondents feel free to discuss performance related problems with their managers. Only 4% of respondents agreed to some extent with this statement while none of the respondents indicated that they disagree or strongly disagree with this statement.

#### 5.4 Analysis of the findings on communicating the vision.

The statements in this section were formulated to determine if the vision with regard to the implementation of the balanced scorecard was effectively communicated to the employees. Kotter (1996:90) identified the following seven key elements for the effective communication of the vision. They are:

- Keep it simple – All jargon and techno babble must be eliminated.
- Use metaphors, analogy and examples – A verbal picture is worth a thousand words.
- Use multiple forums – The vision should be communicated at all possible forums, meetings (big and small), memos, staff papers, formal and informal interaction are all effective ways of spreading the word.
- Repetition – Ideas sink in deeply after they have been heard many times.
- Leadership by example – Behaviour of important people that is inconsistent with the vision overwhelms the other forms of communication.
- Explanation of inconsistencies – Unaddressed inconsistencies will undermine the credibility of all communications.
- Give and take – Two way communication is always more effective and powerful than one-way communication.

The statements in this section touch on one or more aspect of these elements and will be used to determine how effectively the implementation of the balanced scorecard was communicated to the employees.

Once the results had been collated, the researcher conducted personal interviews with five employees on different levels to determine if they agree with the findings and to gain a deeper understanding as to why they feel that certain elements in the process were experienced negatively by the respondents. In general employees who were interviewed revealed that they were in agreement with the findings.

It is evident from the results that the employees are satisfied with most of the elements pertaining to the communication of the transformation effort. One area of

concern was that they did not receive enough feedback on the benefits that the balanced scorecard has created for the business unit. In further discussions it was determined that the benefits of the scorecard to AVAF Commercial are perceived as a management issue and not so much an employee issue. For this reason employees did not focus on this a lot. Only selected forums such as team meetings were used to communicate the programme. Only two articles related to the balanced scorecard were published in the internal newspaper of the group. This is in contradiction to the suggestion by Kotter (1996:90) that communication should take place at all possible forums, on memo's, at meetings as well as formal and informal interactions with employees.

The fact that employees have a clear understanding of the purpose of the balanced scorecard, the fact that the employees were satisfied that the reasons for the implementation were communicated effectively to them and the fact that the employees seem to have a thorough understanding of the AVAF commercial strategy through the perspectives of the balanced scorecard, would indicate that most of the elements of simplicity, metaphors and repetition were adhered to. This would also indicate that management lead by example and that the inconsistencies were addressed before it could undermine the communication effort. This is in agreement with the key elements of communication as proposed by Kotter (1996:90).

The three statements relating to two way communication should be seen as a whole as they all relate to the involvement of the employees in the implementation process. The focused interview revealed that only those who felt that they had an opportunity to participate actually participated in the process. It is also only these employees that felt that their input was valued by their managers. This suggests that the two way communication is not always what it should be. This supports the views of Kotter (1996:99) that communication can easily turn into a one way broadcast in which useful feedback is ignored and employees are inadvertently made to feel unimportant.

The focused interview further revealed that the reason for employees discussing performance related problems with their managers more openly is the fact that personal performance influence their position in the company. For this reason they

are more willing to discuss performance related issues with their managers. Although employees feel free to discuss performance related issues with their managers, new change efforts are not discussed as freely. One reason for this is that employees did not have sufficient knowledge about the change effort when it was first introduced. The one or two information sessions organised by management normally only touches on the surface of the new change programme.

## 5.5 Findings on Empowerment of Employees

The statements in Table 5.2 were formulated to determine to what extent employees feel empowered by management during the change process. Statement 10 determined whether employees received sufficient training on the correct use of the balanced scorecard. Statements 11 and 12 elicited the views of employees on whether the structures and personnel systems were aligned with the implementation of the balanced scorecard. Statements 13 to 16 elicited the views of employees on whether management is actively supporting the transformation or blocking it.

From the responses received for statement 10 it is clear that the majority of respondents (71%) indicated that they have received sufficient training on the use of the balanced scorecard while a further 24% agreed to some extent. Only 5% of respondents indicated that they disagree with this statement. It is noted that none of the respondents strongly disagreed with the statement.

From the responses received for statement 11 it is clear that 65% of respondents indicated that the balanced scorecard methodology is used to determine their personal performance appraisals. 14% of respondents agreed to some extent while 2% disagreed. It is noted that none of the respondents strongly disagreed with the statement.



Table 5.2 Research Findings on the Empowerment of Employees

No	Statement	Strongly agree	Agree	Agree to an extent	Disagree	Disagree
10	I received sufficient training on the correct use of the balanced scorecard	24%	47%	24%	5%	0%
11	My performance appraisal is based on the perspectives of the balanced scorecard.	24%	61%	13%	2%	0%
12	The four perspectives of the balanced scorecard are used in all aspects of the business, not only in performance appraisals.	18%	61%	16%	5%	0%
13	My manager is a strong supporter of the use of the balanced scorecard.	43%	53%	4%	0%	0%
14	My manager provided the required resources so that the balanced scorecard could be implemented effectively	33%	60%	5%	2%	0%
15	My manager helps me to achieve my goals as agreed upon in the balanced scorecard.	29%	63%	8%	0%	0%
16	My manager facilitates opportunities for me to develop my skills in the organisation in terms of the balanced scorecard.	29%	53%	18%	0%	0%

The responses to statement 12 reflect that 79% of respondents indicated that the balanced scorecard is used in all aspects of the organisation. 16% of respondents agreed to some extent while only 5% disagreed. It is noted that none of the respondents strongly disagreed with the statement.

Statement 13 reflects that 96% of respondents are satisfied that their managers are strong supporters of the balanced scorecard. This is significant because in many instances management determines the attitudes of employees towards change efforts. The remaining 4% agreed to some extent but none of the respondents disagreed with the statement.

Management received overwhelming praise in statements 14 to 16 for the way in which they facilitated the empowerment of employees by providing the required resources to do their work more effectively, reach their targets and facilitating employees to develop their skills in the organisation. This is evident in the more than 80% of respondents that reacted positively to these statements.

Figure 5.2 Summary of findings on the Empowerment of Employees

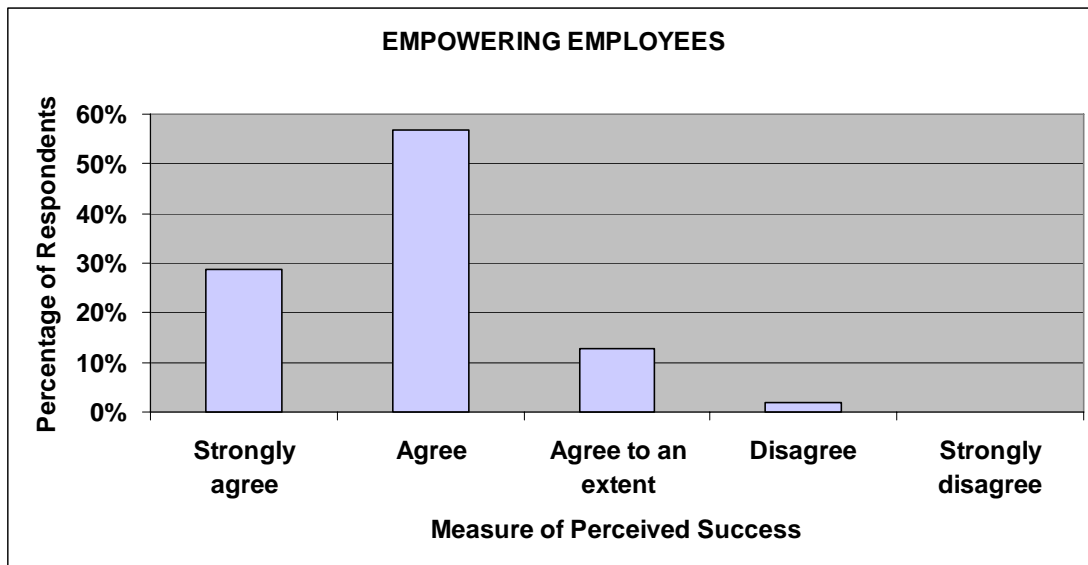


Figure 5.2 indicates that 86% of employees have experienced empowerment during the implementation phase while 13% of respondents agreed to some extent. It is commendable that only 2% of respondents disagreed and none of them strongly disagreed. From the results of the research it is clear that management did a commendable job in empowering the employees and made them part of the process.

## 5.6 Analysis on the empowerment of employees

The statements in this section were formulated in line with the 5 steps proposed by Kotter (1996:115) to empower employees and thus affect change. These steps are:

- Communicating a sensible vision to employees – If employees have a shared sense of purpose, it will be easier to initiate actions to achieve that purpose.
- Make structures compatible to the vision – Unaligned functional structures and silos can block needed action.
- Provide the training employees need – Without the right skills and attitudes, people will feel disempowered.
- Align information and personnel systems to the vision – Performance appraisal, compensation and promotion systems should be directed at creating actions to achieve the vision.

- Confront supervisor who undercut needed change – Nothing disempowers people more than a manager who does not support the change effort.

The more important aspects here are that employees must have a shared vision and the knowledge to support that vision. The actions of management contributes to what extend employees will feel empowered.

Once the results had been collated, the researcher conducted personal interviews with five employees on different levels to determine if they agree with the findings and to gain a deeper understanding as to why they feel that certain elements in the process were experienced negatively by the respondents. In general employees who were interviewed revealed that they were in agreement with the findings.

It is evident from the results that the employees are satisfied with most of the elements pertaining to the empowerment during the transformation effort. The interviews revealed that the adequate training received by employees equipped them with the right skills and attitudes to feel empowered. This led to the shared vision, as described by Kotter (1996:102), that the balanced scorecard is the preferred measurement tool in terms of organisational and personal performance appraisals. The fact that the balanced scorecard is used in all aspects of the business would indicate that the organisational structures were aligned to the implementation of the balanced scorecard. As suggested by Kotter (1996:110-111) this included the Human Resources function which aligned personal performance appraisals, compensation decisions and promotion decisions to the balanced scorecard. Management information systems have changed to focus on the perspectives of the balanced scorecard to obtain long term growth and not just short term financial gains. Discussion during the interviews revealed that many employees see the balanced scorecard as part of the normal “way of work”. They have made it their own and use it in all aspect of their work. The results indicate that first line managers that did not support the change vision were confronted early in the process. This resulted in the overwhelming support for the efforts of management for the way in which they facilitated the empowerment of the employees. The interviews revealed that employees have a lot of respect for their respective managers. They really feel that management is working with them and not against them.

## 5.7 Findings on Generating short term Wins

This section of the survey focused on the perceptions of the employees with regard to the celebration of short term wins. It attempted to determine if the way in which these wins are celebrated contributes to the total change effort in one or more ways. Statements 17 and 18 determined how employees expect to be rewarded for embracing the change effort. Statement 19 elicited the views of employees on whether management regard team performance as more important than individual performance. Statement 20 established if the balanced scorecard is still actively used in the business unit. The last statement elicited the views of employees on whether focus is placed on the non financial perspectives of the balanced scorecard or not. Does management actively focus on non financial achievements or is the business still driven by financial achievements. Table 5.3 reflects the results of the findings.

The results for statement 17, as reflected in table 5.3, indicates that a large 49% of respondents prefer financial compensation for exceeding agreed targets while a massive 43% were indecisive and only agreed to some extent. 8% of the respondents indicated that they disagree with the statement. This is in sharp contrast with the 57% of respondents that indicated in statement 18 that they prefer non-financial compensation when targets are exceeded while only 24% agreed to some extent. A further 20% disagreed with the statement.

Table 5.3 Research findings on the Generation of short term wins

No	Statement	Strongly agree	Agree	Agree to an extend	Disagree	disagree
17	I prefer that my manager rewards me financially when I exceed my performance targets in terms of my personal balanced scorecard.	24%	25%	43%	8%	0%
18	I prefer that my manager rewards me in non financial terms when I exceed my performance targets in terms of my personal balanced scorecard.	22%	35%	23%	20%	0%
19	More emphasis is placed on team performance and less on individual performance.	12%	27%	45%	16%	0%
20	The balanced scorecard is still actively used in my business unit.	33%	45%	22%	0%	0%
21	Non-financial achievements are celebrated in the same way as financial achievements.	20%	41%	14%	25%	0%

A sizeable number of respondents (39%) indicated that team performance is considered more important than individual performance. A massive 45% of respondents agreed with the statement to some extent while 16% of respondents disagreed with the statement. This would suggest that a real effort is made by management to keep the momentum going.

From the responses received for statement 20 it is clear that 78% of respondents indicated that the balanced scorecard is still actively used in their business units. 22% of respondent agreed to some extent with the statement but it is encouraging to see that none of the respondents disagreed with the statement. This indicated that the balanced scorecard is still used actively in all business units. This would suggest that the vision and strategies of the business units are in line with that of the larger organisation.

From the responses received for statement 20 it is clear that 61% of respondents are of the opinion that non-financial achievements such as customer satisfaction are celebrated in the same way as the achievement of financial targets. This would

suggest that management and employees do not only focus on the financial side of the business but also the other perspectives of the scorecard.

Figure 5.3 Summary of findings on the generation of short term wins

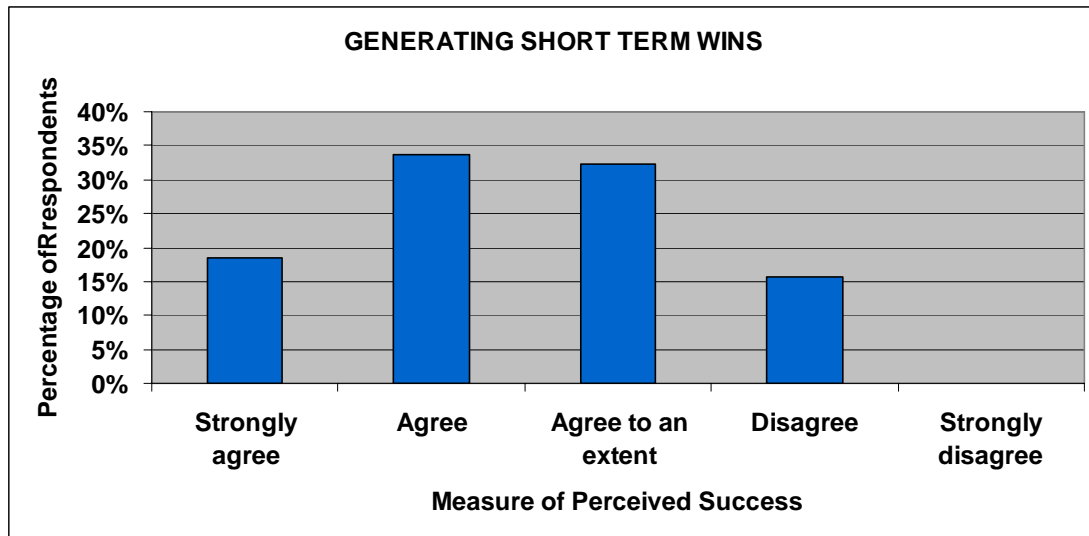


Figure 5.3 indicates that 53% of employees have experienced the celebration of achievements in excess of contracted targets during the implementation phase while 32% of respondents agreed to some extent. Only 16% of respondents disagreed and none of them strongly disagreed. From the results of the research it is clear that employees value the recognition for their efforts. This builds the required momentum to motivate the different teams to perform on a higher level. Cynics in the different teams are in the minority and in a way are forced to participate if they want to share in the celebration whether it is a financial or non financial reward. The role of management in this stage can not be underestimated.

## 5.8 Analysis on generating short term wins

By creating short term wins the momentum of the change effort can be maintained while it builds up the morale of the employees that see the benefits of the change. It also helps to undermine the cynics among the employees. According to Kotter (1996:121) not all achievement can be classified as a win and that wins can help the transformation effort in at least the following six ways:

- They provide evidence that the sacrifices are worth it – Wins generally help justify the short term cost involved.
- They reward change agents with a pat on the back – After a lot of hard work positive feedback builds morale and motivation.
- They help to fine tune the vision and strategies – Short term wins give the guiding coalition concrete data on the viability of their ideas.
- They undermine cynics and self-serving resisters – Clear improvements in performance make it difficult for people to block needed change.
- They keep the bosses on board – It provides those higher in the hierarchy with evidence that the transformation is on track.
- They build momentum – It turns neutrals into supporters and reluctant supporters into active helpers.

This section of the survey focused on the perceptions of the employees with regard to the celebration of short term wins. It attempted to determine if the way in which these wins are celebrated contributes to the total change effort in one or more ways as described by Kotter (1996:121) above.

Once the results had been collated, the researcher conducted personal interviews with five employees on different levels to determine if they agree with the findings and to gain a deeper understanding as to why they feel that certain elements in the process were experienced negatively by the respondents. In general employees who were interviewed revealed that they were in agreement with the findings.

It is evident from the results that the employees are satisfied with most of the elements pertaining to the celebration of short term wins. Almost half of the respondents were indecisive on whether they prefer financial rewards for exceeding their targets. A fifth of the respondents indicated that they do not want non-financial awards. During the focused interview with the five selected employees they indicated that they prefer non financial rewards such as a gift set, certificate, dinner voucher or team function to receiving a small amount of cash as a bonus at the end of the month. These cash bonuses are linked to the company payroll system and thus subject to income tax. So unless the cash bonus is a significant amount, say R2 500 or more, they would prefer non financial incentives.

The focused interview further revealed that the high indecisiveness expressed in the survey with regard to team performance versus individual performance could be due to the emphasis placed on the team effort by management during team meetings. Employees are encouraged to perform above their agreed upon targets in order for the team to make target. The interview group perceived individual performance as part of the success of the team. The 80/20 principal is a vital part of the team they are working in. According to this, for the team to be successful 80% of the employees need to exceed their targets each month in order for the team to be successful. This supports Kotter (1996:121) view that by keeping team performance at a high level cynics and self serving resisters can not move to block the change effort.

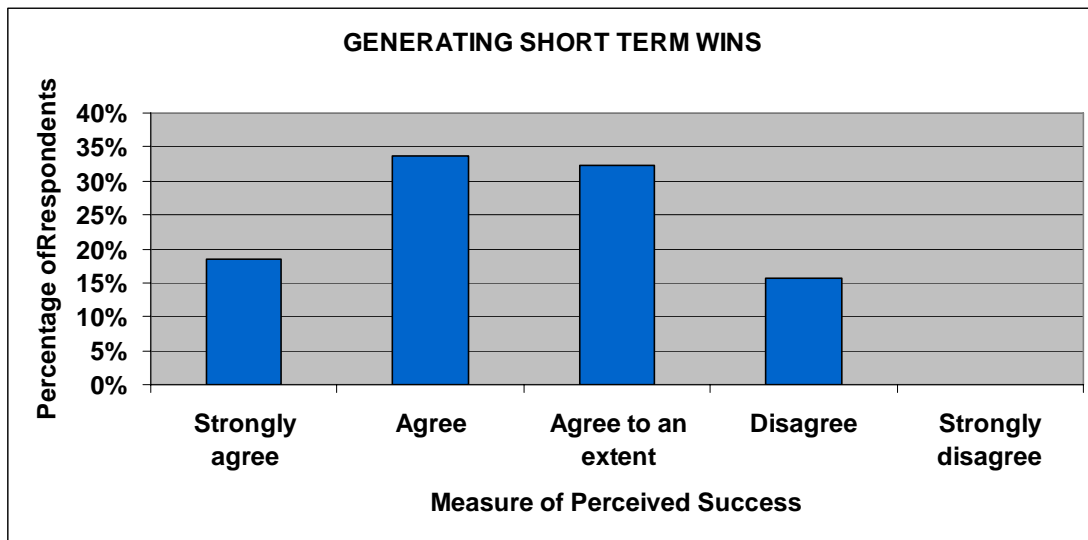
The interview group also indicated that an out of office team event adds more value to the motivation and drive of the team than say a R500 cash incentive. They felt that because team members are constantly performing under pressure that an out of office event creates the opportunity for them to discharge. These events are normally linked to an extraordinary team achievement in terms of financial targets. This could be why a quarter of the respondents disagreed with the statement that non financial achievements are celebrated in the same way as financial achievements. The interview group are of the opinion that achievement in all the perspectives of the balanced scorecard ultimately leads to achievement of the financial targets. This confirms the cause and effect relationship between the perspectives of the balanced scorecard as described by Kaplan and Norton (2001:76)

## 5.9 Summary of finding for the total process

Figure 5.4 indicates that 23% of respondents strongly agree with the statements while 44% of respondents agree. A further 20% agree to some extent and only 9% disagree with the statements made. None of the respondents disagreed strongly with any of the statements. This would indicate that the employees perceive the implementation of the balanced scorecard as successful. They are satisfied that the process was effectively communicated to them by means of internal media and their line managers.



Figure 5.4 Summary of findings for total process.



The employees feel that they have been empowered by the training received and the support given to them by line management to make the balanced scorecard part of their lives. Employees feel that their efforts are being rewarded. Rewards don't need to be in a financial form. Many prefer non financial recognition such as a gift set, certificate, dinner voucher or team function paid for by the organisation.

#### 5.10 Conclusion

The research results have shown that in general employees are satisfied with the change effort. Some areas of concern however has been identified that would require the attention of management.

Employees in general were satisfied with the communication of the vision during the implementation phase. The research findings however have shown some short comings and areas that can be improved. It would seem that **communication turned into a one way broadcast in which useful feedback was ignored**. This suggests that communication is not always what it should be. The fact that many respondents only agreed to some extend too many of the statements would indicate that the vision is not completely clear to them.

One statement regarding the **celebration of short term wins** requires the attention of management. A quarter of the respondents indicated that non-financial

achievements are not celebrated in the same way as financial achievements. It would seem that these respondents have not seen the benefits of the balanced scorecard in their working environment.

In the next chapter recommendations will be made to management based on the literature review. This is aimed at resolving the problem areas as identified from the research finding above.

## Chapter 6

### Recommendations and Conclusion.

#### 6.1 Introduction

The primary objective of the study is to investigate if the implementation steps as proposed by Kotter (1996) and Kaplan & Norton (2001) were properly followed. In the previous chapter two main areas of concern were identified. The communication between management and employees during the implementation phase was not what it should have been and employees did not feel that non financial achievements were celebrated in the same way as financial achievements.

In this chapter recommendations will be made to management on the identified areas of concern.

#### 6.2 Recommendations

Both the concerns can be related to ineffective communication in the organisation. In order to overcome the concerns identified it is recommended that management revisit the seven key elements in the effective communication of vision as proposed by Kotter (1996:90). These elements can not be addressed separately as they are all part of the total process. By readdressing all these elements management should be able to bring onboard those employees not yet onboard and help to change the perspectives of employees from the negative to the positive. This would also provide a learning curve for future change projects.

The time and energy required for effective communication are directly related to the clarity and simplicity of the message. Jargon free messages can be presented to large groups of people at a fraction of the cost of complicated communication. Communication seems to work best when it is very direct and simple. Management should therefore re-evaluate the message and determine if it is plain and simple enough to be understood by all levels of employees in the organisation.

The use of metaphors, analogies and examples can communicate complicated ideas quickly and effectively. Well chosen words or images can make a message memorable even if it has to compete with many other messages in the organisation. It is recommended that management make use of the knowledge and skills within the marketing department of the organisation to help them with this part of the communication effort. The reason for this is that advertising people are normally more skilled in linking words and images that can be used to communicate the vision in a better way.

The message however will not mean much if it is not heard by the employees it is intended for. The vision is normally communicated most effectively when many different forums are used. Large group meetings, memo's, staff newspapers, posters and informal one-on-one talks with employees are just a few vehicles that can be used. The message stands a better chance of being effective when the same message comes at people from different channels. Management should therefore make a concerted effort to use as many mediums of communication as possible. More regular feedback should be given in the staff newspaper, team meetings and road shows of top management.

The use of many media mediums alone will not improve the situation. For a message to really sink deeply into the conscious of a person it has to be repeated. A single airing on the internal television network, videotape or article in the staff paper won't address all the question employees might have. The message should be repeated many times but management do not need to only use the different communication mediums available to them. Many opportunities exist for management at all levels in the organisation to communicate the vision to employees at ground level. This type of communication can be tailored to a specific person or group with whom they are talking. A question, two minutes during a meeting, five minutes at the end of a conversation or a few references in a speech can collectively add up to a massive amount of useful communication.

This however will only be possible if management lives the change vision. This form of communication is much more powerful than normal media communications. When employees see top management acting out the vision, a whole set of questions about

the credibility of the effort tends to evaporate. Kotter (1996:96) calls this type of behaviour “Leadership by Example”. Even cynics who tend not to believe words will be impressed by the actions of management. Similarly, telling people one thing and then doing another is a great way of undermining a change vision. This leads to the next element which is to address seeming inconsistencies.

Management can not expect employees to focus on the non financial perspectives of the balanced scorecard but they themselves are clearly only interested in the financial returns or profits of the business unit. Efforts to cut cost and improve profitability frowned upon when management spent excessive amounts of money on organising social events for selected employees at luxury hotels. For the change effort to be successful important inconsistencies in the message that employees get from the actions of management must be addressed explicitly. If mixed signals can not be eliminated they should be explained in a simple and honest manner.

Because the communication of vision is often so difficult, it can easily turn into a one way broadcast. In successful change efforts this rarely happens because communication becomes a two way endeavour. Two way discussions are an essential method of helping people deal with questions and concerns that transpire during a change effort. Many employees only buy into a change effort after they had an opportunity to wrestle with it. Thus asking questions, challenging the new system and arguing the pros and cons. Management sometimes ignores this because they are afraid that they would not be able to answer all the questions of employees.

Table 6.1 represents a proposed action plan to be followed by management in order to address the short coming identified in the research. The table reflects the actions to be taken and who would be responsible for the implementation thereof. The table further indicates the proposed time line to be used for tasks to be completed as well as what the measurements of success for each action should be. With regards to the time line it should be assumed that time “T” is the moment that the results of the findings are presented to the management of AVAF.

Table 6.1 Proposed action plan to address the shortcomings as identified in the research.

<b>No</b>	<b>Proposed actions to be implemented</b>	<b>Responsible party</b>	<b>Time line</b>	<b>Metric for success</b>
1	Review the findings of this study	First line and top management of AVAF	T + 1 day	Management accepts the recommendation of the study and decides to take action.
2	Nominate a task team to implement the recommendations	Top Management and Group Implementation Division	T + 1 week	Task Team established consisting of members of the guiding coalition and Group Implementation.
3	Analyse the current Balanced Scorecard communications strategy against the 7 key elements of effective communication by Kotter.	Task team	T + 3 weeks	The gaps in the communication strategy was identified and documented.
4	Restructure the existing communications plan to close the gaps identified, in particular the rewarding of non financial successes and two way communication.	Task Team	T + 5 weeks	New communication plan presented to top management.
5	Launch new communications strategy for the balanced scorecard by simultaneously making use of multiple forums	Task team, top management and first line managers	T + 6 weeks	Feedback by first line managers of successful balanced scorecard communications at their level.
6	Conduct focused interview with employees to gauge perceptions of employees after implementation of the new communication strategy.	Task team and first line management.	T + 9 weeks	Employee feedback received on effectiveness of communication strategy.
7	Document the task team learning experience so that it could be used in other divisions of the larger group	Task team	T + 10 weeks	Learning experience applied in other divisions within the larger group.

It is important for management to include persons from the specialised division, Group Implementation, in the task team. This division has specialist knowledge as they are responsible for all change initiatives within the group as a whole. The input of this specialist knowledge will aid management in decision making and implementation of the revised communication programme.

### 6.3 Importance of the study

The primary objective of the study is to investigate if the implementation steps as proposed by Kotter (1996) and Kaplan & Norton (2001) were properly followed. Management needed to be sure that the implementation of the balanced scorecard had been successful and that all employees in the AVAF Commercial Sales front end are aligned with the vision of AVAF within the ABSA group.

The research has indicated that communication during the change process is a vital factor in determining the success of the change effort. Communication of the vision is not a once off action. It is an continues effort that impacts on all aspects of the planned change model as proposed by Kotter (1996). The study contributed to the body of knowledge in the organisation as it shows how future change programmes can be improved. This research also contributed to the body of knowledge in the field of organisational change by focusing on the implementation phase of Kotter (1996) model. It highlighted the importance of communication during a change programme.

### 6.4 Areas for further research

Change is a very complex process that takes a long time to anchor in the corporate culture. A longer term study of how this was achieved by large organisations similar to ABSA would be beneficial to the field of knowledge.

The generation of short term wins should be further investigated to determine how this step in the implementation process influences employee behaviour and attitude during a change process. In addition it would be extremely valuable to study organisations that are constantly successful at generating short term wins during

planned change programmes and compare that to the results of a similar study within ABSA.

## 6.5 Conclusion

The study indicates that the employees perceive the implementation of the balanced scorecard as largely successful. They were satisfied that the process was communicated fairly effectively to them by means of internal media and their line managers despite the concern with regard to two way communication. The employees felt that they have been empowered by the training received and the support given to them by line management to make the balanced scorecard part of their lives. The employees felt that sufficient short term wins are created to keep their focus on the program. Rewards are valued whether it is in financial or non-financial form by the majority of respondents.

From the findings of the research it can be concluded that the steps pertaining to the implementation of the balanced scorecard, as proposed by Kotter (1996) and Kaplan & Norton were correctly followed with minor adjustments to be made in re-communicating and enforcing the vision to the employees.



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## INDEX OF TABLES

Table 1.1 – The link between the eight-step process of creating change and the three areas of planning, implementation and sustaining.	9
Table 2.1 – The eight errors common to organisational change efforts and their consequences.	29
Table 2.2 – The eight stage process of creating major change.	30
Table 2.3 – Management vs Leadership.	41
Table 5.1 – Research findings on communicating the vision.	68
Table 5.2 – Research findings on the empowerment of Employees.	73
Table 5.3 – Research findings on the generation of short term wins.	77
Table 5.4 – Proposed action plan to address the shortcomings as identified in the research.	86

## INDEX OF FIGURES

Figure 2.1 – Defining the cause-effect relationship of strategy.	46
Figure 5.1 – Summary of Research findings on communicating the vision.	67
Figure 5.2 – Summary of Research findings on the empowerment of employees.	74
Figure 5.3 – Summary of Research findings on the generation of short term wins.	78
Figure 5.4 – Summary of findings for total process.	81